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Japan's prime minister Keizo Obuchi finally reshuffled his cabinet, setting the stage for passage of the 1999 budget and public debate on sensitive defence issues. **Asia-Pacific, Page 6**

Gulf soldiers prone to symptoms
British veterans of the 1991 Gulf war are more likely than other UK military personnel to report fatigue, headaches, memory problems and joint pains, says a study. **Britain, Page 8**

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OECD's advice to Greece
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Air France was forced to cancel many domestic flights after a surprise strike by some of the carrier's maintenance workers.

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Australia's unemployment rate last month dropped to the lowest level in more than eight years. **Asia-Pacific, Page 6**

Japan town halls to switch loans
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BUSINESS NEWS

Thyssen is hit by falling steel prices and weak demand

Thyssen, the German industrial group, damped investors' expectations for its forthcoming merger with Krupp as it reported a drop in first-quarter sales and orders because of falling steel prices and weakening demand. **Companies and Markets, Page 13**

Scania, the Swedish heavy truck manufacturer, warned that market conditions in Latin America were likely to deteriorate. **Companies and Markets, Page 13; Lex, Page 12; Mixed signals fail to divert Scania, Page 16**

Telsource, the Dutch-Swiss consortium, vetoed the state's nomination for chairman of SPT, the country's telecommunications monopoly. **European companies, Page 16**

Vodafone, the UK-based wireless carrier, may improve its $55bn offer for AirTouch, the US cellular operator, and structure the deal as an acquisition rather than a merger. **Companies and Markets, Page 13; Lex, Page 12; Rich pickings, Page 14**

Dassault has won an order for 28 Rafale fighters, the new generation combat aircraft, from the French government after long negotiations. **Europe, Page 3**

Eastman Kodak vowed to intensify cost-cutting efforts as disappointment over the US photographic group's latest quarterly earnings wiped 10 per cent from its share price. **Lex, Page 12**

Two of China's leading internet companies plan to list on overseas stock markets. **Companies and Markets, Page 13**

Unisys, the US computer and services group, reported its first full year of profitability since 1993. **US companies, Page 14**

Nissan Motor, Japan's second largest carmaker, publicly recognised for the first time tangible benefits from an equity link with DaimlerChrysler. **Asia-Pacific companies, Page 18**

The US stepped up the dispute over trade in bananas with plans to seek World Trade Organisation authority to impose retaliatory sanctions on EU exports. **Trade, Page 4**

Total Fina, the oil and chemicals group being formed through the takeover of Belgium's PetroFina by Total of France, plans to dispose of FFr5bn-FFr10bn (€762m-€1.52bn, $892m-$178m) of assets over two years. **European companies, Page 16**

Metra, the diversified Finnish industrial group, warned full-year profits would fall short of market expectations. **European companies, Page 16**

Marks and Spencer, Britain's biggest clothing retailer, announced a surprise profits warning and a severe drop in sales. **UK companies, Page 19; Lex, Page 12**

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RESCUE PACKAGE IN DOUBT ● SCEPTICISM OVER BUDGETARY TARGET ● NERVOUSNESS HITS WORLD MARKETS

IMF sending crisis team to Brazil

By Stephen Fidler in Washington and Geoff Dyer in São Paulo

The International Monetary Fund is poised to send a delegation to Brazil after the country's unexpected devaluation on Wednesday threw into doubt a $41bn international rescue package agreed by the fund in November.

Scepticism is growing about Brazil's ability to meet the tough budgetary targets that are the basis for the package.

The agreement with the IMF ruled out a devaluation, and the Fund was not consulted before Wednesday's decision. Its mission, due to arrive in the next few days, will be led by Teresa Ter-Minassian, deputy director for the western hemisphere.

Investors yesterday continued to take a pessimistic view of the new Brazilian currency policy, pushing shares in Brazil down sharply and prompting weakness in markets in the US and Europe. However, analysts said foreign investors were taking a much more negative view than domestic investors.

The IMF and Brazil would not confirm whether the country's economic targets would need to be revised as a result of the devaluation. "I don't know if the change will make a complete revision necessary," said Altamir Lopes, chief economist at the Brazilian central bank.

On Wednesday Brazil, in the face of a new attack on its currency and a growing recession, abandoned its foreign exchange policy, moving from a narrow trading band, which allowed the Real to depreciate gradually against the dollar, to a widened band, which permitted an immediate devaluation of 8.3 per cent and 12-15 per cent over the next year.

After a strong start yesterday, the Real weakened slightly to trade at R$1.32 to the dollar, the upper limit of the new band. Shares on the São Paulo stock exchange were suspended yesterday afternoon after a fall of 10 per cent in share prices triggered a circuit-breaker. Interest rates shot up to 60 per cent in the futures market on fears of a new rate rise.

Investors had been initially encouraged by the news that $1.1bn had left the country on Wednesday, following predictions of a capital outflow of $2bn. However, markets turned negative after Standard & Poor's, the US ratings agency, downgraded Brazil's long-term foreign currency debt from B+ to BB-.

Foreign investors continued to be concerned about heavy capital flight and predicted that the government would be unable to control the devaluation.

"The chances of the devaluation being successful are limited, without, at the very least, follow-up on the fiscal front," said Paulo Leme, economist at Goldman Sachs in New York. "Other developing countries have shown that, by itself, devaluation does not work."

In its statement on Brazil, Standard & Poor's said the devaluation had increased the risks for the economy and cast doubt on the government's ability to meet the targets set by the IMF.

The agency also cut its ratings on a string of Latin American banks.

Economists said if the government could not keep the currency within the new band, it might be forced into adopting tougher capital controls or, as a last resort, a rescheduling of domestic debt.

Meanwhile, Alexandre Dupeyrat, finance secretary of Minas Gerais, the Brazilian state which last week declared a moratorium on its debts to the federal government, said he could not guarantee the full repayment of a $100m international bond that matures in February.

His statement was immediately contradicted by the state's deputy governor, Newton Cardoso.

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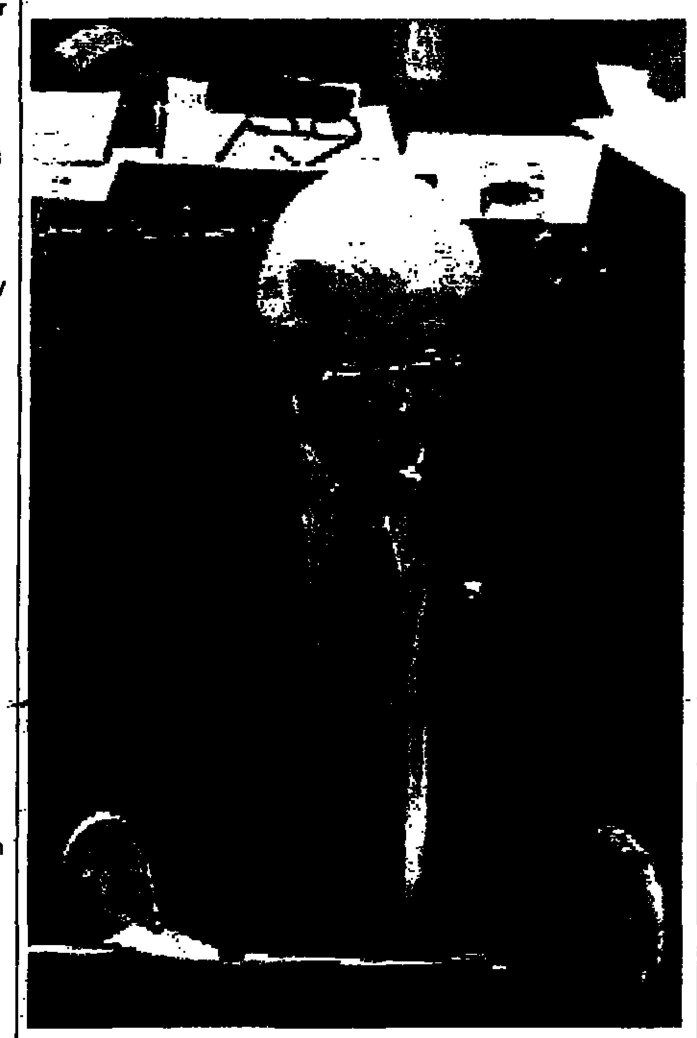

Henry Hyde, chairman of the House of Representatives' judiciary committee, addressing senators as President Clinton's trial got under way. Page 12 AP

Farm subsidies may be poised for radical change

Policy shift by Germany and Spain seen as breakthrough

By Michael Smith in Brussels

Far-reaching changes to the European Union's €40bn annual farm subsidies regime is likely following policy shifts by Germany and Spain, until recently among the staunchest opponents of reform.

Supporters of the restructuring of EU agricultural policy say the change of tack signals a breakthrough in the year-old talks – although France continues to hold out.

The European Commission believes reform of the subsidies regime and other areas of spending is essential to enable the union to expand into central Europe and to increase food exports.

Germany was until recently the leading opponent of reform and against change to the union's controversial milk regime. This week it said it could see the case for increases in milk production quotas and indicated support for a deep cut in beef prices.

Spain, previously considered one of the countries least open to reform, has also softened its negotiating stance. It said it would consider more radical reform to the milk regime than that suggested by the Commission in return for increased production. It also indicated support for large cuts in beef prices.

The changes of position were outlined in Brussels this week at the first meeting of a "high level" group of national agriculture representatives formed to negotiate change. They have increased confidence among EU officials that a deal on reforms to the common agricultural policy and other areas of spending can be achieved before the end of Germany's EU presidency in June and possibly as early as March.

Guy Legras, the Commission's farms director-general, told the group the Commission could not compromise on proposals for cuts in guaranteed prices. It has suggested a 30 per cent cut for beef, 20 per cent for cereals and 15 per cent for milk.

Mr Legras said that 20 per cent cuts in beef prices, suggested by some countries, would allow only a small increase in exports and "would solve absolutely nothing". Leaving the milk regime unchanged, as suggested by France, was "not an option".

Other countries more ready to negotiate change included Belgium, previously considered a hardline opponent, and Finland. Spain's shift is thought to have been influenced by fears that it risked being marginalised unless it took a more assertive negotiating role.

Germany told this week's meeting the new government understood the need for a quota increase and agreed milk should be part of the reform package.

The Commission has suggested quotas rise by 2 per cent. Germany's policy change on milk leaves France looking increasingly isolated.

Diplomats believe that Germany's more conciliatory approach is influenced by its desire to achieve a deal on EU finances during its six-month presidency. Gerhard Schröder, German chancellor, yesterday warned of grim consequences if "a fair compromise" was not reached on the cohesion of fund payments.

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Europe's censure motion, Page 10

China's airline chiefs face Y2K test flight

By James Kynge in Beijing

China has given its airline bosses the ultimate incentive to solve the "millennium bomb" computer problem by ordering them to take a flight on New Year's day 2000.

"All the heads of the airlines have got to be in the air on January 1, 2000," said Zhao Bo, in charge of dealing with the problem at the Chinese ministry of information industries.

"We have to make sure there are no problems in aviation."

The directive coincides with a push by Beijing to minimise the risk of chaos if computer systems and electronics fail to recognise the date change from December 31, 1999 to January 1, 2000, also known as the Y2K problem.

A particular difficulty lies in the amount of pirated software in China, which analysts say represents over 90 per cent of the software in use. Technicians cannot consult the manufacturers and must work out how to defuse the bomb, Mr Zhao said.

Small regional airlines in China – under pressure because of fierce ticket price wars and insufficient flight frequencies – may not be able to afford to upgrade computers, which are vital for air traffic control and avionics systems.

Mr Zhao's ministry has trained more than 5,000 computer technicians to fan out across China to fix computers, and the government is about to publish a list of emergency procedures which include saving and backing up information days before the new millennium.

The Chinese government's order follows the decision by Jane Garvey, head of the US Federal Aviation Administration, to fly across America on New Year's eve to demonstrate the safety of the country's systems.

However, aviation experts warn that aircraft are not the principal problem. The world's leading manufacturers, Boeing of the US and Airbus Industrie, the European consortium, have worked hard to ensure aircraft onboard systems are safe.

"There's no question whatsoever of aircraft falling out of the sky," says Peter Cooke, head of year 2000 steering committee of the International Air Transport Association.

Mr Cooke says if problems do occur, it will be because airport and air traffic control systems have not been brought up to date or because telecommunications or electricity fail.

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China internet stocks, Page 13

WORLD MARKETS

STOCK MARKET INDICES		
New York Lunchtime		
Dow Jones Ind Av	9231.38	(-118.18)
NASDAQ Composite	2311.09	(-5.72)
Europe and Far East		
CAC40	3997.06	(+38.34)
DAX	4912.75	(-19.05)
FTSE 100	5820.2	(-29.9)
FTSE Eurotop 300	1170.81	(+1.16)
Nikkei	13,738.86	(+335.26)
US Lunchtime RATES		
Federal Funds	4.75%	
3-mth Treas Bills: Yld	4.42%	
Long Bond	102⅝	
Yield	5.09%	
OTHER RATES		
UK: 3-mo Interbank	5¾%	(5¾%)
UK: 10 yr Gilt	137.48	(137.48)
BBA Eurolibor	3$\frac{3}{16}$%	(3$\frac{3}{16}$%)
Germany: 10 yr Bund	108.10	(108.3)
Japan: 10 yr JGB	101.09	(101.15)
NORTH SEA OIL (Argus)		
Brent Dated	$10.945	(10.80)

GOLD		
New York Comex		
Feb	$287.4	(287.00)
London	$285.65	(285.45)
DOLLAR		
New York Lunchtime		
£	1.6560	
€	0.8532	
SFr	1.3627	
Y	113.325	
London		
£	1.6581	(1.6526)
€	0.8546	(0.8544)
SFr	1.3598	(1.3557)
Y	113.330	(113.655)
Tokyo Close		Y 113.53
EURO (London)		
$	1.1701	(1.1704)
£	0.7056	(0.7081)
Y	132.602	(133.016)
SFr	1.5911	(1.5867)

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Chicago · Los Angeles · Tokyo · Hong Kong

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn18.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr16.00	Latvia	Ls1.65	South Africa	R16
Estonia	EKr34.00	Lithuania	Lit21.00	Spain	Pta325(€1.95)
Finland	Fmk13.00(€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.75	Morocco	Dh18.00	Syria	S£90.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft300	Norway	NKr19.00	UAE	Dh13.00

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EUROPE

MISMANAGEMENT ALLEGATIONS CRISIS DEFUSED AS PARLIAMENT BACKS PLAN FOR INDEPENDENT GROUP TO PROBE SHORTCOMINGS

Commission survives censure vote

By Neil Buckley in Strasbourg

The European Commission emerged wounded but intact yesterday from its clash with the European Parliament over allegations of fraud and mismanagement, after suffering a substantial protest vote.

A censure motion against the European Union's executive body, which could have forced the resignation of all 20 commissioners who head the executive, was defeated by 293 votes to 232.

But the vote in favour of censure – 42 per cent of votes cast – was the highest total ever attracted by a censure motion against the Commission, almost twice the previous record of 118 for a motion over the Commission's handling of the "mad cow" disease crisis two years ago.

The vote closed a turbulent week in which the confrontation between two of its central institutions brought the EU to the brink of crisis, and during which Jacques Santer, Commission president, threatened to resign.

The crisis was defused as parliament backed a peace formula involving the appointment of a group of independent experts to report on "fraud, mismanagement and nepotism" in the Commission by March 15.

That leaves open the possibility of future action by parliament against commissioners found by the experts to have failed in their duties.

Resolutions calling for the resignation of two individual commissioners, Edith Cresson, the former French prime minister, and Manuel Marín, commission vice president – whose programmes have drawn particular criticism – attracted only 165 votes and 155 votes respectively.

Agreement on the independent investigation, plus a pledge by the Commission to carry out sweeping internal reforms, was sufficient to prompt Pauline Green, leader of the dominant Socialist group to withdraw a censure motion her group had presented against the Commission.

But the substantial support for a separate censure motion, presented by a cross-party group of MEPs, indicated the level of parliamentary dissatisfaction with the Commission's response to months of allegations of cronyism and fraud.

The censure motion won strong report from German members from both left and right. Thirty German Social Democrats members from the Socialist group defied their group line to back the motion. Mrs Green admitted the result was "not a vote of confidence, but a vote of confirmation" allowing the Commission to continue with its important programme, including the so-called Agenda 2000 reforms required before enlargement.

Mr Santer said he was "relieved and satisfied" by the result. "I have a positive majority," he said. "It's a clear signal for the continuation of the mandate of the Commission."

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Bonn unveils nuclear deal

By Frederick Stüdemann in Berlin

Gerhard Schröder, Germany's chancellor, yesterday acknowledged there had been teething problems within his coalition government but appeared to bury the worst of them as he unveiled a deal on nuclear policy.

He said a meeting on Wednesday night between the two arms of the coalition, his own Social Democratic party (SPD) and the Green party, had agreed to a compromise on how to revise the country's atomic energy law ahead of a planned shutdown of Germany's 19 nuclear reactors.

Referring to his government's sometimes faltering debut, Mr Schröder conceded there had been "certain starting difficulties", but these were due more to problems of style and presentation than substance. "Now I am happy," he said.

Reprocessing German nuclear waste overseas will not be banned immediately, as the Greens originally had demanded, but allowed to continue until January 1 2000. Mr Schröder said the delay would provide time to clear up questions over contractual obligations between German reactor operators and their French and British partners.

The reprocessing contracts are said by the nuclear industry to be worth as much as DM18bn (£9.2bn, $10.7bn) and contain clauses for DM5bn in penalties in the case of breach of contract. Jürgen Trittin, the Green environment minister, travelled to Paris last night for talks with the French government on the issue.

German nuclear waste is treated by Cogema at its La Hague plant, near Cherbourg in northern France. According to Cogema, two "generations" of treatment contracts with German utilities have been signed, the first running until 2000 and the second from 2000 to 2010. some

The compromise slightly waters down earlier proposals put forward by Mr Trittin, whose stance had sparked pre-Christmas cabinet clashes with Mr Schröder and Werner Müller, economics minister.

But the main elements of Mr Trittin's draft revision are retained. These include a tenfold increase in insurance cover required for reactors, tighter security checks and shifting the burden of proof for possible health risks onto nuclear operators.

The government is due to start "consensus talks" with the industry on January 28.

Schröder puts on brave face despite weakening economy

Bonn's problems could test how appropriate it is to administer a common interest rate across an area as large as the euro-zone, writes **Tony Barber**

Rising unemployment, falling industrial output, stagnant exports and looming disputes in national wage negotiations – the economic problems are piling up on Germany's Chancellor Gerhard Schröder and his colleagues faster than they could have imagined when they celebrated their election victory last September.

Despite recording annual growth last year of 2.8 per cent, the strongest since unification in 1990, Germany is in the grip of a downturn so pronounced that private researchers suspect that the economy may actually have contracted in the final three months of 1998.

It would be the first such quarter-on-quarter fall in the economy since the fourth quarter of 1995.

Mr Schröder, the first Social Democrat chancellor in 16 years, is putting a brave face on matters. Interviewed by the staff magazine of the carmaker Volkswagen, on whose supervisory board he sat before the election last year, he said: "There are no grounds to be pessimistic. The foundations of our economy are intact."

Yet as the largest economy in the euro-zone, contributing about 36 per cent of the area's output, Germany's troubles also raise potentially serious implications for the rest of Europe.

Appeals from businessmen and SPD politicians for lower euro-zone interest rates to combat Germany's problems are growing louder.

Many independent experts think the European Central Bank will respond by cutting its benchmark 3 per cent rate by 0.25 percentage points as early as next month.

A majority of economists expect a second such cut and a benchmark ECB rate of 2.5 per cent by June.

But the ECB, which sets monetary policy across the whole euro-zone, needs to bear in mind that a cut tailored to Germany's needs may be less suitable for countries such as Ireland or Spain. Rates there already came tumbling down last year – too fast, some say – in order to meet the German level in time for the euro's launch.

The difficulties facing Germany could trigger an early test of how appropriate it is to administer a common interest rate across an area as large and diverse as the euro-zone.

Economists attribute Germany's woes largely to the delayed impact of the Asian financial crisis, particularly in Japan, as well as falling US demand for foreign goods and the D-Mark's strength last year.

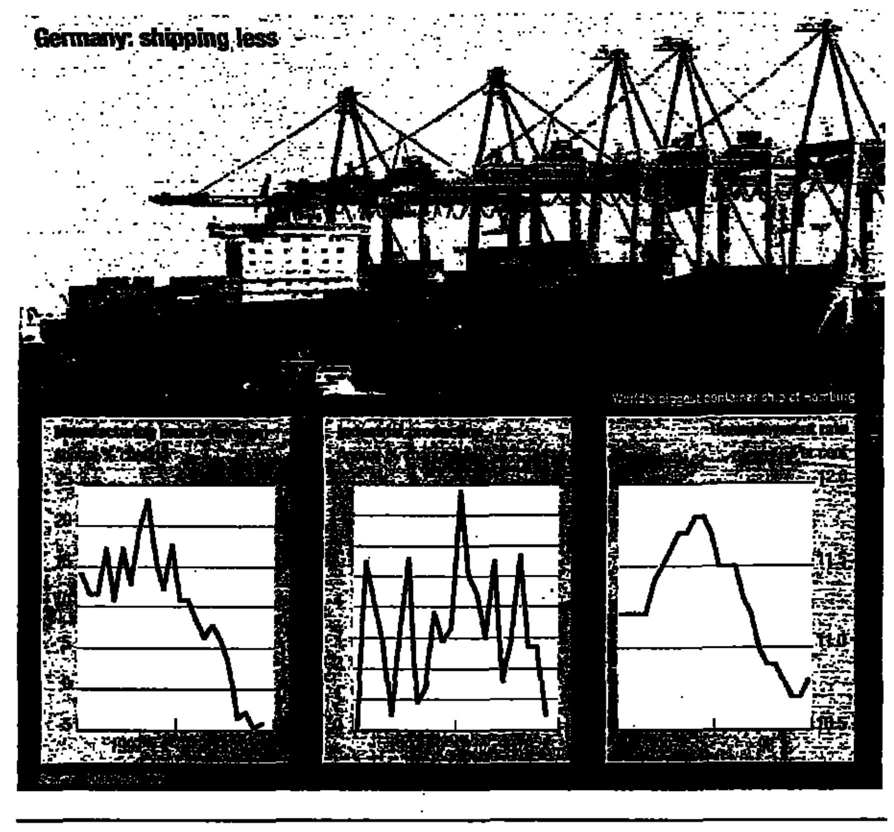
Each of these factors has hindered Germany's exporting industries, which have been the economy's mainstay for 50 years.

For example, the German software group SAP, a major exporter and linchpin of Europe's technology sector, disclosed last week that Japan's crisis had caused its pre-tax 1998 profits to fall well below the company's own forecasts.

Japan is SAP's third largest world market, and the company says its problems there became most acute last month.

One analyst, Gerhard Grebe of the investment house Julius Bär, believes that the SAP profit warning shows just how bad the climate has become for German companies.

"There is a strong chance of more earnings disappointments and profits warnings as of mid-February," he said.



Fears over last quarter cloud growth of 2.8%

The German economy grew by 2.8 per cent in 1998, according to official statistics released yesterday, but independent economists said the figures disguised a sharp slowdown or even a contraction in the last three months of the year, writes Tony Barber in Frankfurt.

"We should expect a decline in the fourth quarter, which won't be officially reported until March," said Hans-Jürgen Meltzer, an economist at Deutsche Bank.

Gross domestic product grew last year by 2.9 per cent in western Germany and 2.1 per cent in former communist eastern Germany.

The pan-German annual growth rate of 2.8 per cent compared with 2.2 per cent growth in 1997.

Third-quarter GDP figures released in Paris yesterday showed the French economy growing by 0.5 per cent, slowing from 0.8 per cent in the second quarter. On an annualised basis, the economy was growing at 2.9 per cent.

In total, foreign orders for German products fell 4.2 per cent in November, the last month for which figures are available, compared with the previous year.

This has been a sharp falling off from the peak annual growth in foreign orders from 23.1 per cent in September 1997.

Meanwhile, growth in industrial output slowed sharply to 0.5 per cent in November compared with November the previous year, down from the peak of 7.8 per cent in January last year and unemployment rose by 34,000 last month to a seasonally adjusted 4.16m, or 10.8 per cent of the workforce.

Independent economists believe the number of jobless will still be above 4m at the end of this year – a blot on the record of any government, but especially one elected largely on the basis of its promise to create jobs.

Confidence among businessmen is also draining away, partly because of the government's tax policies, which many entrepreneurs see as a clumsy attempt to stimulate consumer demand in the economy by shifting the tax burden on to efficient, profitable companies.

In the world of industrial relations, the mood is darkening.

Business believes the delicate state of the economy, as well as the sharper competitive conditions emerging in the euro-zone, require another year of wage restraint from German trade unions.

But the largest trade union, IG Metall, which represents about 2.7m metal and engineering workers, is sticking to its demand for a 6.5 per cent wage increase this year and has told employers that it wants an answer from them by January 28.

"If we don't get an acceptable offer by then, our members will not hesitate to start demonstrations and warning strikes," said Jürgen Peters, the newly appointed deputy leader of IG Metall.

It may, of course, be a bluff. But even the threat of labour unrest would put one more cloud on the horizon for a government that could be forgiven for wondering when its luck is going to change.

Car sales surge after unexpected demand

By Haig Simonian, Motor Industry Correspondent

Registrations of new cars in western Europe soared by 7 per cent to 14.34m units last year as strong demand in the closing months pushed sales to a new record.

The unexpected strength of demand – more than double estimates made last January – has left analysts uncertain about this year. While sales have been climbing strongly in Germany, France and Spain – three of western Europe's five biggest car markets – the recent pace of registrations has risen well beyond even the most optimistic analysts' expectations.

Observers widely expect sales to remain static or to decline slightly this year because of uncertain economic conditions.

While France and Spain are expected to remain buoyant, demand in Germany is not expected to maintain the fast growth rate seen in the closing months of 1998 as improved output from leading carmakers bites into previous long waiting lists for the most popular models. By contrast, sales in the UK and Italy are expected to decline.

"The surge in car sales in the fourth quarter has been a big surprise and begs the question of what we should now be forecasting for 1999," notes Nick Smee, motor industry analyst at J.P. Morgan in London. There is little doubting the winners are the losers of last year. Germany's Volkswagen group reinforced its supremacy as Europe's biggest carmaker by raising sales by almost 13 per cent to take a record 18 per cent of the market last year.

Renault of France was the other undisputed gainer, as European sales soared by more than 16 per cent on the back of a largely renewed model range. Ford and General Motors were two of the losers, although both were affected by model changes.

West European new car registrations
January-Dec 1998

	Volume (Units)	Volume Change(%)	Share (%) Jan-Dec 98	Share (%) Jan-Dec 97
TOTAL MARKET	14,341,246	+7.0	100.0	100.0
MANUFACTURERS:				
Volkswagen group	2,588,197	+12.9	18.0	17.1
– Volkswagen	1,574,836	+13.7	11.0	10.3
– Audi	494,649	+7.3	3.4	3.4
– Seat	361,254	+8.9	2.5	2.5
– Skoda*	157,458	+36.9	1.1	0.9
General Motors#	1,644,801	+1.3	11.5	12.1
– Opel/Vauxhall	1,560,164	+0.1	10.9	11.6
– Saab**	75,192	+28.0	0.5	0.4
PSA Peugeot Citroen	1,634,103	+7.9	11.4	11.3
– Peugeot	958,078	+7.7	6.7	6.6
– Citroen	676,025	+8.0	4.7	4.7
Fiat group##	1,561,984	–1.7	10.9	11.9
– Fiat	1,205,675	–6.0	8.4	9.6
– Lancia	178,096	+1.0	1.2	1.3
– Alfa Romeo	175,693	+37.5	1.2	1.0
Renault	1,539,974	+16.1	10.7	9.9
Ford group#	1,456,152	–3.5	10.2	11.3
– Ford	1,434,029	–3.8	10.0	11.1
– Jaguar	22,123	+22.0	0.2	0.1
BMW group	818,947	–0.3	5.7	6.1
BMW	451,015	+4.5	3.1	3.2
Rover	367,932	–5.6	2.6	2.9
Mercedes-Benz	631,471	+28.3	4.4	3.7
Volvo	240,502	+4.0	1.7	1.7
Toyota	429,071	+15.0	3.0	2.8
Nissan	424,782	+5.3	3.0	3.0
Honda	213,290	–1.3	1.5	1.6
Mazda	209,996	+13.2	1.5	1.4
Mitsubishi	181,028	+2.4	1.3	1.3
Total Japanese	1,695,309	+8.8	11.8	11.6
Total Korean	382,914	+32.8	2.7	2.2
MARKETS:				
Germany	3,740,339	+6.0	26.1	26.3
Italy	2,364,200	–1.6	16.5	17.9
United Kingdom	2,247,403	+3.5	15.6	16.2
France	1,943,553	+13.5	13.6	12.8
Spain	1,190,964	+17.2	8.3	7.6

*VW holds 70 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

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Committee of 'experts' to tackle fraud

By Neil Buckley in Strasbourg

Parliament let Jacques Santer, European Commission president, off the hook this week, but the issue of fraud and mismanagement within his Brussels bureaucracy is not about to disappear.

A so-called "Committee of Experts" to look into the issue was a central part of yesterday's pact between the Commission and the European Parliament. This committee would "examine the way the Commission detects and deals with fraud, mismanagement and nepotism, including a fundamental review of Commission practices in the awarding of all financial contracts".

Most importantly, it would have access to all files on existing fraud cases, and reach an independent assessment of the responsibility of officials or commissioners.

Parliament suggested yesterday that if the committee identified failings by commissioners, action could then be taken against them. Similarly, if it failed to report by its March 15 deadline, or the Commission did not respond, commissioners could face yet another censure motion.

But huge questions remained concerning the body's size, membership, and selection, as well as over whether it could meet its ambitious deadline. Alan Donnelly, leader of British Labour MEPs, who has worked on the committee of experts idea with the Commission, suggested yesterday it should have eight to 10 members, including EU outsiders "of the highest integrity", and private sector representatives.

One idea is that the EU's main institutions – the Commission, the parliament, the Council of Ministers made up of the governments of EU member-states, and the Court of Auditors, the spending watchdog – each would nominate two members.

Not all MEPs, however, liked the idea. "We have weakened parliament by asking for an outside group to come along and tell us what our job should be," said James Elles, whose budget report led to parliament refusing to sign off the 1996 accounts last month – the action that triggered this week's censure motion.

Mr Santer's speech to parliament on Monday committed him to internal reforms which would amount to a significant culture change in the EU's Brussels-based bureaucracy.

His "eight-point plan" included codes of conduct covering all levels of the bureaucracy. It would attack one of the most sacrosanct rights of the commissioners who run it: to appoint French-style private offices or "cabinets" of advisers, usually packed with people of their own nationality.

Mr Santer suggested cabinets would be shrunk, and made more multi-national. The practice of "parachuting" former cabinet members into top positions in the permanent bureaucracy at the end of a commissioner's term in office – much resented by rank-and-file officials – would be suspended pending new rules on appointments.

The Commission president pledged to have proposals on reorganising commissioners' dossiers and departments ready for his successor, to be appointed later this year. He would assess what extra staff the Commission needed. Staff shortages have emerged as a common refrain in response to allegations of mismanagement.

As Erkki Liikanen, budget and personnel commissioner, admitted yesterday: "Inside the house [a term used for the Commission], all these reforms are not terribly popular."

Mere publication of proposed staff policy reforms was enough to cause a Commission staff strike last year.

NEWS DIGEST

EURO-ZONE ECONOMIC REPORT

IMF prepares for first post-euro analysis

A team from the International Monetary Fund was in Frankfurt yesterday to prepare the Fund's first economic analysis of the euro-zone area, which groups participants in the European single currency. The report is expected to cover all aspects of the economy, including monetary policy, labour markets and structural reform.

The IMF team was in Brussels on Wednesday to talk with European Commission officials. Yesterday, it was at the European Central Bank.

The Commission said yesterday that the IMF's project was an early manifestation of monetary union affecting the work of international financial institutions and was a sign of things to come. The single currency was launched at the start of this month.

The IMF was unable to comment last night. It was unclear if the report would be released to the general public. **Michael Smith, Brussels**

RUSSIAN POLITICS

Economic liberal to quit post

Alexei Kudrin, Russia's first deputy finance minister, is to quit his post, further thinning the ranks of economic liberals in the government and complicating talks with the International Monetary Fund. Mr Kudrin, one of the St Petersburg liberals who spearheaded Russia's reform effort, last year co-authored an austerity programme with the IMF, designed to put public finances on a firmer footing. The IMF is keen to revive the main elements of this so-called "Kudrin-Fischer" plan, which included sweeping cuts in public expenditure, before extending any further assistance to Russia.

Mr Kudrin's departure came as Yuri Maslyukov, the first deputy prime minister, attempted to woo senior international financial officials in Washington. But the IMF has made clear it will not resume lending to Russia until the government has developed a credible long-term plan for reviving the economy. **John Thornhill, Moscow**

GERMAN CONTROVERSY

Petition against citizenship bill

Germany's conservative Christian Democrats (CDU) yesterday launched a controversial nationwide petition opposing government plans to extend citizenship to millions of immigrants.

The opposition CDU chose the central state of Hesse as a springboard for the campaign, hoping to turn citizenship into an election issue ahead of a state assembly vote on February 7. The launch also prompted one of Germany's far-right parties, the anti-immigrant Republicans, to start a similar petition.

Chancellor Gerhard Schröder's centre-left alliance of Social Democrats and Greens, who hope parliament will pass the bill into law by the summer, want to make Germany nationality available to some 4m resident foreigners. They argue the move is a key to improving integration.

But the CDU and its Bavarian sister party, the Christian Social Union, say it could spark racial tensions and increase the threat of organised crime by immigrant groups. **Reuters, Frankfurt**

صكذا من الأصل

OECD REPORT YEARLY REVIEW SAYS GDP COULD RISE BY 10% IF PLANNED REFORMS OF OVERSTAFFED STATE CORPORATIONS WERE ACCELERATED

Greece urged to restructure state enterprises

By Kerin Hope in Athens

Greece could increase its gross domestic product by at least 10 per cent by radically restructuring inefficient public sector enterprises, the Organisation for Economic Co-operation and Development said in a report released yesterday.

Planned reforms of the energy, transport and telecommunications sectors, which are dominated by overstaffed, state corporations, must be accelerated if Greece is to close the economic gap with other European Union members.

The cost of inefficient state enterprises "consists not only of an annual drain on the budget of about 3.5 per cent of GDP, but a sizeable brake on activity as the economy is often deprived of essential inputs at low cost," the Paris-based OECD said in its yearly review of the Greek economy.

Even if the Socialist government achieves the target of euro-zone membership in January 2001, "an even bolder and wider-ranging structural reform effort" would be needed to raise the Greeks' per capita income to the EU average.

The poorest EU country, Greece was the one member state to be involuntarily excluded from the first wave of countries joining economic and monetary union because it failed to meet the economic criteria for membership.

Tight fiscal policies and an economic growth rate above 3 per cent of GDP have helped reduce the budget deficit and public debt. But high labour costs and low productivity at public sector enterprises have slowed the effort to curb inflation.

In contrast with Greece's financial sector, which has seen rapid restructuring and privatisation of state-owned banks, reforms have lagged at public enterprises. Resistance from vested interests, including labour unions and leading suppliers, remains strong.

Inflexible pricing policies, excessive pay rises and lax accounting practices were to blame for the weak financial position of public enterprises, the report said. Despite high levels of investment amounting to 3.5 per cent of GDP yearly, including substantial EU transfers, almost all state corporations report losses. Public enterprises owed over Dr700bn ($2.5bn) to Greek banks, equivalent to 2.5 per cent of GDP, at the end of 1997.

The OECD suggested radical cost-cutting measures at public enterprises, including the loss-making railways, post office, state television channels and Olympic Airways, the state carrier.

France orders 28 Rafale aircraft

By Robert Graham in Paris

The French government has placed a firm order with Dassault for 28 Rafale fighters, the new-generation combat aircraft, after long drawn out discussions about cost and production schedules.

Alain Richard, defence minister, also announced the government had taken an option on 20 further Rafale fighters. The defence minister said the cost of all 48 aircraft would be FFr16bn-FFr17bn (€2.4bn-€2.6bn) ($2.8bn-$3bn) to be delivered between 2002 and 2007.

Final details for the contract are expected to take another two months to complete. But the go-ahead has been given by the finance ministry.

The contract was broadly agreed two years ago by the previous rightwing government. But ever since the Socialist government led by Lionel Jospin took office in June 1997 it has sought to make defence cuts and delay implementation of programmes to create savings.

The Rafale was developed by Dassault, in which the state holds a 46 per cent stake, after France decided against joining the Eurofighter project backed by Britain, Germany, Italy and Spain. The Eurofighter project has to date sold 620 aircraft.

In 1996, the total cost of the programme to equip both the French air force and navy with Rafale aircraft was estimated at FFr202bn.

The Jospin government had hoped to go ahead with procurement against the prospect of firm export orders to offset some of the costs. However, efforts to sell the Rafale to the United Arab Emirates appear to have failed, although the latter recently agreed to place orders for advanced French Mirage fighters.

The state is in the process of transfering its share in Dassault to Aerospatiale.

Finns oppose majority voting over EU taxes

By Andrew Parker, Political Correspondent

The Finnish government, which takes over the European Union presidency in June, yesterday said it would oppose an extension of qualified majority voting to income and corporation taxes.

Paavo Lipponen, Finnish prime minister, insisted income tax must remain a member state competence, adding that majority voting should not apply to corporation tax rates.

"Income taxes should be left to the national decision makers. Qualified majority voting should definitely not apply to the [corporation tax] rate," Mr Lipponen said in an interview with the Financial Times.

His intervention will be welcomed by the UK government, which has rejected calls by France and Germany for an extension of majority voting to taxation matters.

Mr Lipponen said France and Germany would be "much more credible" if they pushed for an extension of majority voting to trade policy.

He said: "The first question would be to increase qualified majority voting in trade policy, to include trade in services and intellectual property."

Mr Lipponen said Finland would support further political integration. Reform of the EU's institutions would be the top priority of Finland's presidency as part of preparations for EU enlargement.

He indicated Britain and other member states with two European commissioners should be prepared to give up one as part of the reform. "The institutions of the EU are important for a small country. In principle, a small country gains from the deepening of integration. It ties the big member countries into following common rules and subjecting themselves to common decisions."

On the future financing of the EU, Mr Lipponen indicated that Britain should be prepared to relinquish its cherished budget rebate.

Praising the UK's active engagement in the EU, notably on defence and foreign policy, Mr Lipponen said Britain's role had been strengthened.

But he warned: "The importance of the euro is even greater than we thought, not only internally but also the external importance. This may be food for thought for the British public."

Yeltsin and Clinton share worries on impeachment

The steps being taken against the Russian president may follow a similar path to those in the US, writes John Thornhill

Mr Yeltsin's enemies claim he is guilty of five treasonable charges

Boris Yeltsin and Bill Clinton like to present themselves as bold, reforming presidents who have discarded old ways of thinking and steered new courses for their countries. But the Russian and US leaders have something else in common: they are both under threat of impeachment by their opponents.

While Mr Clinton battles to defend his presidency in the US Senate, Mr Yeltsin is trying to fend off attacks from the Duma, the lower house of the Russian parliament. This week, a parliamentary commission resumed its investigations into Mr Yeltsin's alleged offences, promising to conclude its work next month.

Mr Yeltsin's enemies led by the Communist party - claim he is guilty of five treasonable charges: destroying the Soviet Union in 1991; forcibly dissolving the Supreme Soviet in 1993; conducting an illegal war in Chechnya; undermining the country's armed forces, and presiding over the "genocide" of the Russian people.

The impeachment process has to overcome several procedural obstacles and is unlikely to succeed. Two-thirds of the Duma's 450 deputies must first vote for Mr Yeltsin's removal. The Supreme Court must then confirm that the president has committed an act of treachery or a state crime.

The Constitutional Court would then review the legality of all these proceedings before handing the matter over to the Federation Council, the upper house of parliament, for a final decision.

Gennady Seleznyev, speaker of the lower house of parliament, predicts the impeachment moves against President Yeltsin may follow a similar path to those in the US. The lower house of parliament may vote for impeachment – if only on the issue of Chechnya – but the initiative will be killed in the Federation Council.

"Talk about this matter is one thing. Providing legal justification for each article of impeachment is quite another," Mr Seleznyev says.

As in the US, the impeachment proceedings appear to have been driven by political hatred as much as the compulsion to observe constitutional propriety. Most of the charges against Mr Yeltsin are political slogans rather than legal accusations.

The Duma set up the impeachment committee as a "defence mechanism" last year when Mr Yeltsin was threatening to dissolve parliament if it did not approve Sergei Kiriyenko as prime minister. Under the terms of the constitution, Mr Yeltsin would have been prevented from disbanding parliament had he been subject to formal impeachment proceedings.

However, the appointment of Yevgeny Primakov as a consensus-seeking prime minister has helped defuse these tensions between president and parliament. The liberal Yabloko faction, which had clamoured for Mr Yeltsin's impeachment over his conduct of the Chechen war, now appears to have lost interest in the process.

Without Yabloko's support, the Communist party cannot muster the 300 votes needed to launch formal impeachment proceedings.

"There is no chance that Yeltsin will be impeached," says Boris Makarenko, deputy director of the Centre for Political Technologies, a Moscow research institute. "But the game will continue as long as the procedural rules allow."

Mr Makarenko argues that the Communist party will keep hammering away at Mr Yeltsin to reaffirm its own credentials as an opposition party. Calls for impeachment may also flare up if Mr Yeltsin seeks another confrontation with parliament or suffers a further deterioration in his health.

"The members of the Duma are not interested in the legal validity of the accusations as much as their political utility. The closer it gets to the December parliamentary elections, the more controversial the process will be," he says.

Mr Seleznyev argues the impeachment process is a useful means of testing the limits of Russia's nascent constitution, helping to entrench the rule of law in a country which has provided few checks on the power of the executive. But other observers point out the striking contrast between the popular will and the probable political outcomes in the US and Russia.

Even though opinion polls show that the majority of American voters support Mr Clinton, he still remains hostage to an unpredictable Senate vote. By contrast, Mr Yeltsin has lost almost all his support among the Russian electorate but appears in little danger of being removed from office before his term expires in the summer of next year.

US seeks WTO backing for sanctions in banana war

By Guy de Jonquières

The US yesterday stepped up pressure on the European Union in their dispute over trade in bananas by formally announcing plans to seek World Trade Organisation authority to impose retaliatory sanctions on EU exports worth $520m a year from the start of next month.

The European Commission said that if Washington went ahead with its request, at a January 25 meeting of the WTO's disputes settlement body, Brussels would immediately bring a WTO challenge against US Section 301 trade legislation, on which the threatened sanctions are based.

Peter Scher, special US trade ambassador, said the request for WTO sanctions authorisation, which cannot be blocked by other members, was fully consistent with US rights under the organisation's rules.

However, a spokesman for Sir Leon Brittan, EU trade commissioner, strongly disputed the claim. "The US has no justification for seeking to put in place sanctions on European industry," he said.

The US says it is entitled to retaliate because the EU has not complied with a WTO disputes ruling in 1997 against its banana import regime, which favours imports from former British and French colonies in Africa, the Caribbean and the Pacific.

The EU modified the regime at the start of this year, but Washington claims it still discriminates against Latin American fruit distributed by Chiquita Brands and other US companies.

The EU says US sanctions would violate world trade rules, because no WTO disputes panel has found that the amended import arrangement does not comply with the 1997 judgment against the previous regime.

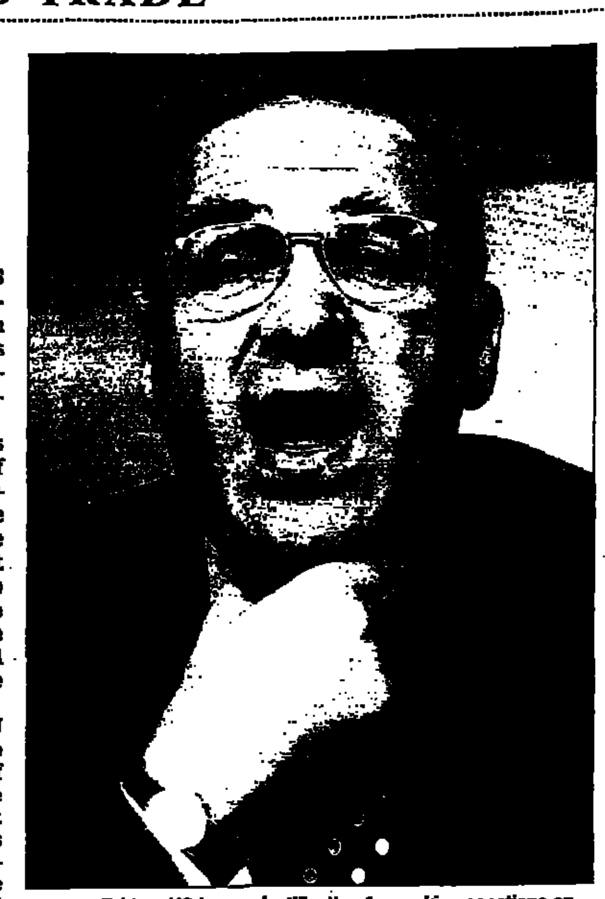
The proposed US sanctions would consist of 100 per cent tariffs on a diverse selection of exports, ranging from candelabra to cashmere sweaters and pens. The US said yesterday that it was adding pork to the list of products. The sanctions would cover exports from all EU members except Denmark and the Netherlands, which did not vote in favour of the banana regime.

Mr Scher said the US would also ask the EU on January 25 to hold consultations in the WTO, in a last-ditch effort to resolve the dispute by negotiating further changes to the banana regime. But EU officials dismissed the proposal.

They said that if the US wanted to discuss the matter, it should participate in one of the disputes panels recently established to examine whether the regime complied with WTO rules.

One of the panels was established at the request of Ecuador, which is challenging the regime, and the other at the request of the EU. Mr Scher insisted that the US was entitled to impose sanctions against the EU while the panels were still sitting. That is disputed by Brussels and by some independent trade lawyers.

The differing US and EU legal interpretations in the conflict arise from lack of clarity in WTO rules. These permit retaliation against members who flout disputes judgments, but are ambiguous about how compliance with such decisions should be determined.



Sir Leon Brittan: US has no justification for seeking sanctions on European industry

Cold war high technology curbs return to haunt US exporters

A Congress investigation has led to tighter restrictions on sales of sensitive technology, writes **Stephen Fidler**

A Congressional investigation into allegations that US national security was harmed by transfers of sensitive technology to China has intimidated officials and slowed decisions on export licensing, according to a senior US official.

William Reinsch, undersecretary for export administration at the Department of Commerce, said licensing was likely to be further held up as the conclusions of a new congressional report were digested and acted on.

A 700-page classified report from a select committee of the House of Representatives has concluded that US national security was damaged by transfers of militarily useful technology by US companies and others to China, according to Christopher Cox, the committee chairman.

Mr Reinsch said the report had already had an impact on export licensing. It had intimidated everybody. "People are afraid to say Yes to perfectly sensible applications that wouldn't have raised an eyebrow 10 months ago."

Steps likely to be taken because of the report, together with some already ordered by Congress, would cause US companies "a lot of grief," he said. Businesses have been pressing Washington since the end of the cold war to ease the restrictions on exports of high technology products with possible military applications.

In a strong defence of practices used by the Commerce Department in the licensing for export of so-called dual use technology – technology with potential commercial and military applications – Mr Reinsch was critical of lawmakers he described as "cold warriors on the Hill".

There was, he said, "clear faction in Congress who believe that they [the Chinese] are the Soviet Union of the next century – the new bear in the woods. They want to force a realignment of all our policies against China."

Two important developments since the end of the cold war had forced changes in the export licensing once governed by CoCom, an offshoot of Nato which blocked technology transfers to the Soviet bloc.

Controlling technology exports was more difficult because it was less clear who the enemy was and there was less agreement among western governments about the subject. Moreover, even those recognised as security threats, such as Iraq and North Korea, were small, more disparate and potentially more irresponsible, he said.

Economic globalisation had also altered the picture. US export licensing had for 40 years taken account of the foreign availability of products; now other countries had developed their own high technology industries.

For example, the US licenses exports of high performance computers between 2,000 and 7,000 mtops (million theoretical operations per second) to countries such as China. But he said: "If you spend 10 minutes on the internet you can see in the secondary market 2,000 mtops being sold by countries that are not necessarily allies of ours... If you want to control the market in computers up to 7,000 mtops to China, effectively you have to control the whole world."

With the US defence budget shrinking; US companies no longer could be profitable simply by selling to the Pentagon. "What keeps them in business now is exports."

He said the primary national security consideration was how far ahead the US was of its potential adversaries – and high end products remained out of their hands of adversaries because their export was banned.

Mr Reinsch said that some aspects of the licensing regime had already been adjusted – though some changes, such as those providing for end-user inspections of supercomputers exported from the US, would be difficult to administer.

The Pentagon now reviewed a far higher percentage of export licences than it did a few years ago, he said. In the 1995 fiscal year, the Pentagon reviewed 19 per cent of licences; in 1997, 91 per cent. Only 2 per cent of licences rose to the political level for decision making, he said, and none in the Clinton administration had ever risen beyond the level of assistant secretary in government departments, he said.

Asked about claims sensitive technology was transferred to China in satellite launch discussions by two companies, Hughes and Loral – now under Justice department investigation – he said these concerned possible unauthorised transfers.

Moreover, he added, the problems with satellite technology transfers occurred before jurisdiction over satellites had been shifted from the State Department to Commerce in 1996. Congress has since ordered that satellite exports should be returned to the State Department's munitions list, a decision that will slow approvals.

"I think we have fixed the problem. I don't think the Cox committee has identified any post-96 problem," he said.

But he said that if the Cox committee did provide evidence that national security was threatened, "obviously we want to work with the committee to fix the problems." However, some recommendations would undoubtedly apply to apply to other countries, and finding agreement with US allies would not be easy.

NEWS DIGEST

WORLD STEEL PRODUCTION IN 1998

Global economic turmoil takes toll of steel output

World crude steel production fell in 1998 as economic turmoil in Asia and other emerging economies took its toll in the second half of the year. The latest estimates from the United Nations Economic Commission for Europe put world steel output last year at 778.2m metric tons, 2.5 per cent below the 1997 record of almost 800m tons.

Due partly to a surge in imports from Japan and elsewhere, US production saw its first decline since 1991 though the drop was a modest 1 per cent to 97.5m tons. In Japan itself steel output slumped by more than 10 per cent to its lowest level since 1972, while South Korean production fell – by nearly 8 per cent – for the first time in 32 years. Among the few bright spots were China, the world's biggest producer, where production rose 5.7 per cent to 114m tons and the European Union where, despite increased imports from Asia and eastern Europe, higher steel demand spurred a 1.1 per cent rise in output.
Frances Williams, Geneva

GLOBAL CELLPHONES

Rival standard to be developed

Ericsson, Lockheed Martin and Matra Marconi Space said yesterday they planned to develop a new global standard frequency for hand-held satellite cellular telephones. The three technology companies are linking with Asia Cellular Satellite and Euro-African Satellite Telecommunications, two regional satellite operators, in the development.

The consortium intends to develop the new standard, GMSS (Geostationary Mobile Satellite Standard), to enable mobile phone users to communicate in those parts of the world where the standard is operating. It is hoped that other regional satellite operators will sign up to GMSS thereby providing global coverage for users.

However, the initiative faces stiff competition from the multi-billion dollar global satellite systems for cellular phones that have either launched or are in preparatory stages. These include Iridium, which launched three months ago, and Globalstar, due to launch later this year.
Christopher Price, London

BALTIC DISPUTE

Latvia drops pork quota plan

The Latvian government has defused a trade row with its Baltic neighbours Estonia and Lithuania by dropping plans to impose quotas on pork imports. The quotas threatened to scuttle relations between the three countries, whose trade is regulated by the Baltic Free Trade Agreement, introduced in December 1997. Vilis Kristopans, Latvia's prime minister, said the government had decided to drop plans for pork quotas because it could invite retaliation, and damage the free trade agreement. The Latvian government had initially proposed import quotas on the meat, with a tariff of 42 per cent levied on additional imports. Latvia has a negative trade balance in farm products with Estonia. The Latvian government now plans to grant a one-off subsidy to local pork producers. The economies of the three Baltic states have been hit by the sharp fall in trade with Russia, the second biggest recipient of Baltic exports. **Matej Vipotnik, Riga**

Arab leaders plan to ostracise Baghdad

By Mark Huband in Cairo

Arab leaders plan to intensify the isolation of Iraq's government while easing the plight of its sanctions-hit population as part of an emerging strategy aimed ultimately at bringing down President Saddam Hussein.

Despite demands by Iraqi government officials that they be included in ministerial talks which ended yesterday in Cairo, regional leaders want to prevent Iraqi involvement in meetings they believe Baghdad could exploit to divide Arab opinion.

Foreign ministers from Egypt, Syria, Saudi Arabia, Yemen and Oman met overnight yesterday to prepare a common strategy in advance of an Arab League foreign ministers meeting in Cairo on January 24. The strategy will be to drive a wedge between Iraq's government and the population whose suffering has inflamed public opinion throughout the region.

A war of words between Egypt and Iraq escalated yesterday into an exchange of insults between Baghdad and Saudi Arabia's leaders, which has further exposed the extent to which region's leaders have opted for open confrontation with President Saddam.

"Saddam misjudged Arab opinion when there were protests against the bombing of Baghdad in December," said a senior Arab official yesterday. "He thought Arabs were supporting him. But in fact they were just supporting the Iraqi people."

Mohammed Saeed al-Sahaf, Iraqi foreign minister, on Wednesday denounced the five-nation consultations in Egypt, which he said "can only be described as the insistence of some states not to follow a sound Arab course in the framework of the Arab League and to continue a policy of creating axes and blocs".

In response, an editorial issued by Saudi Arabia's official news agency yesterday said Iraq should be excluded from discussions. The editorial described President Saddam Hussein as a "disease that should be removed so peace and security can return to Iraq and its people. The holding of an Arab summit or a ministerial meeting in which Saddam Hussein and his gang take part will not be successful under the circumstances," it said.

Tariq Aziz, Iraq's deputy prime minister, yesterday criticised the Arab League, Egypt and Saudi Arabia for failing to invite Baghdad to such meetings. "If the aim of such successive meetings is to ease the plight of the Iraqi people, why have they not contacted Iraq and discussed their ideas and proposals?" Mr Aziz wrote in the ruling Baath Party newspaper al-Thawra yesterday.

Arab states have largely ignored an apparent softening of Iraq's stance on the issue of dialogue with its opponents, notably the US. Iraq said on Wednesday it would accept "unconditional and balanced dialogue" with the US and Arab states.

William Cohen, US defence secretary, yesterday reaffirmed the US intention of backing opposition to President Saddam.

US questions French case for lifting oil embargo

By Michael Littlejohns at the United Nations in New York

The US yesterday rejected the suggestion that Iraq's principal arsenals were already eliminated – the apparent assumption in French proposals for lifting the oil embargo.

As the United Nations Security Council began discussing the plan, and US fighter jets attacked Iraqi air defence systems for a fourth day, Peter Burleigh, US delegate, said: "We do not believe that Iraq is disarmed." The most dramatic case in point was that UN arms inspectors had not closed their file on biological weapons.

While acknowledging that some elements of the plan to institute a new inspection system alongside lifting the ban on oil exports were interesting, Mr Burleigh emphasised that Washington was committed to implementation of all UN resolutions on Iraq and wanted to be assured this was the French position also.

"We aren't saying, forget it," in reacting to the proposals, he said, adding that the US appreciated that France had refocused council attention on the issues.

During yesterday's closed door meeting, the US offered proposals to increase funding for Iraq's needs in food and medicines, including short term loans from the UN to make up for a steep shortfall in revenues, resulting from low oil prices.

In remarks to journalists, Mr Burleigh accused Baghdad of ignoring civilian needs by stockpiling medicines and withholding distribution of these and other humanitarian products, as well as spurning offers of private donations from states in the region.

Benon Savan, the UN programme director, confirmed that medical supplies worth $270m were in storage in Iraq, but he said the government recognised a distribution problem.

He disclosed that only $1.92bn had been raised from Iraqi oil exports, against $5.31bn allowed every six months.

Russia blames 'inept' US spies

Russia responded defiantly yesterday to US sanctions and a threat of further action over alleged Russian exports of missile and nuclear technology to Iran, and said inept US spying might explain the row, Reuters reports from Moscow.

Russia is building a civilian reactor in Iran which the US has long feared is a cover for Tehran to get sensitive Russian nuclear technology.

"We hope that such a situation is the result of a misunderstanding, and perhaps, defective work of the American special services," the Federal Security Service, successor to the Soviet KGB, said.

Washington banned aid and commercial links with three Russian scientific institutes on Tuesday.

Yesterday the US added a new threat to halt space launches of US satellites aboard Russian rockets after this year unless Russia ended the alleged co-operation.

But a spokesman for Russia's Atomic Energy Ministry said yesterday Russia would increase its staff at Bushehr, Iran, the site of an $800m nuclear energy reactor under construction, to 1,000 people from about 300 now.

The moves came only weeks after a US decision to bomb Iraq provoked Moscow into recalling its ambassador briefly from Washington, amid some of the chilliest rhetoric between the two capitals since the cold war.

The sanctions against the three institutes were not unprecedented. Washington took similar action against seven Russian organisations last July, and US officials have said Russian co-operation on the issue has been scant since then.

US officials said the Scientific Research and Design Institute of Power Technology and the Mendeleyev University of Chemical Technology had made "material contributions to Iran's nuclear weapons programme".

Outpost of the conflict in the Middle East darkens the shores of the fairest Cape

South Africa's radical Moslems, angry at western policy toward Islamic countries, are even more disaffected than they were in the apartheid days, writes **Victor Mallet**

A decade ago young South African Moslems took to wearing Palestinian scarves and shouting slogans in support of Ayatollah Khomeini of Iran when they demonstrated in Cape Town against the white minority government and its western allies.

South Africa became a non-racial democracy in 1994, but the Western Cape's Moslem youths are more militant and more disaffected than ever. This time their sympathies lie with Iran's old enemy Iraq. They are protesting against the government of the African National Congress – and the same western allies.

Last week, Moslem demonstrators clashed with police during protests against the visit to South Africa of Tony Blair, UK prime minister, who had sent British aircraft to participate in the US bombing of Iraq.

Yusuf Jacobs, a 22-year-old member of People Against Gangsterism and Drugs (Pagad), an Islamic vigilante group, was hit in the head by a policeman's plastic bullet and seriously injured. Pagad leaders, their words reinforced by a salute of pistol and shotgun fire from their followers, said Moslems would take to the streets and make the country ungovernable if he died. Mr Jacobs died in hospital on Tuesday.

Pagad has now withdrawn its threat, but tension between the authorities and Cape Town's Islamic radicals remains high. Qibla, another Moslem group, has announced plans for a march today from a Cape Town mosque to the South African parliament and the US and British diplomatic missions, although the city council has denied permission for the protest.

The confrontations over Mr Blair were only the latest of several acts of violence related to events in the Middle East. In August last year, two people were killed and 25 injured by a home-made "pipe-bomb" in the Planet Hollywood restaurant at the Waterfront, a complex of shops, restaurants and hotels popular with foreign tourists; the explosion followed US missile attacks on purported terrorist targets in Sudan and Afghanistan.

Tears, flowers and razorwire after the bomb outside the Planet Hollywood restaurant in Cape Town last August AP

Since then there have been two attacks which damaged Kentucky Fried Chicken stores – like Planet Hollywood, a US brand – and one at a synagogue. On New Year's Day, three people were injured in a car bomb explosion, again at the Waterfront.

The crime and gang warfare which for years has plagued the Cape flats, the featureless suburbs behind Table Mountain where most blacks and "coloureds" (the apartheid label for mixed-race people is still used today) live, have started to spread to the city centre and take on a flavour of political Islam. Many coloureds are descendants of Moslem Malays who came to the Cape from the 17th century onwards.

"The Moslem population in the city has a very long history," says Shamil Jeppie, lecturer in history at the University of Cape Town. "And there has been a growth in Islamic radicalism at least since the 1980s. The people have never felt that they have gotten a good deal. They have always felt marginalised, excluded.

"You mix that sense of marginality, which is always there, with the recent events of the Moslem world and you have a really lethal cocktail."

Pagad does not really dispute that analysis. "These things don't happen in a vacuum," says Ebrahim Francis, one of the group's leaders, referring to the anti-Blair protests. "Cape Town is known for its vociferousness on issues that people feel very passionate about. The likes of Tony Blair are not welcome on our shores."

For the government, however, Pagad is part of the problem. It was formed three years ago to combat the crime that the police seem unable to tackle, but its supporters have contributed to the violence by assassinating and attacking suspected drug dealers. Its critics say it has become a gang itself. There were more than 600 explosions and other attacks in the Cape Town area last year, many of them blamed on Pagad, but no one was convicted.

Other, smaller groups such as Moslems Against Global Oppression and Moslems Against Illegitimate Leaders have also sprung up. A caller who said he represented Mago claimed responsibility for the Planet Hollywood bomb, although Mago denied it. A further complication is that several leading Moslem radicals support the Pan-Africanist Congress, one of the parties opposed to the ruling ANC.

South Africa's police force this week launched Operation Good Hope in an attempt to crack down on criminals in the Cape and curb the terrorism that is threatening the region's thriving tourist industry. The plan, costing an additional R4.3m ($740,000) a month, is to send in extra troops and police and to enforce new laws against paramilitary organisations.

Pagad, too, wants crime to be curbed but says it is unimpressed by the government's efforts. "The emphasis is wrong. The emphasis is going to be to pin down and ban what they perceive to be political threats," says Mr Francis. "Basically, it's back to the apartheid years."

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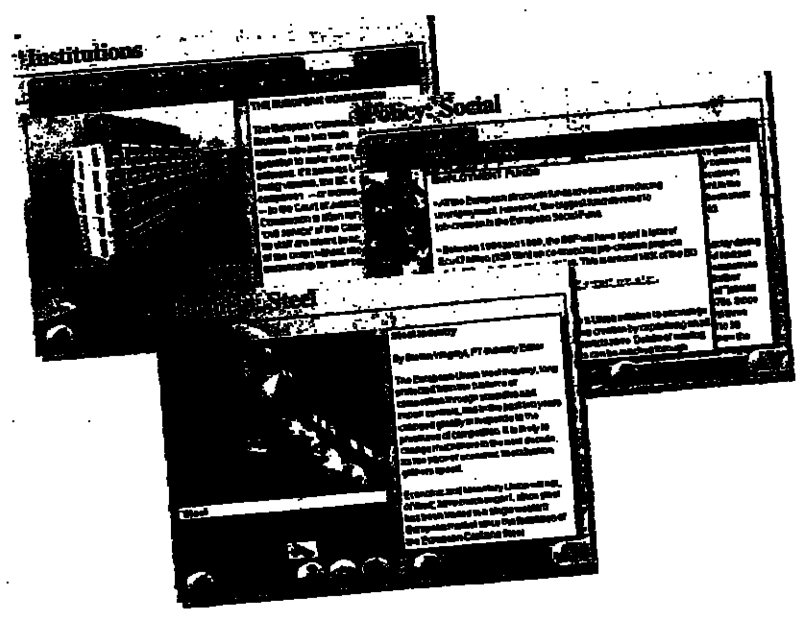

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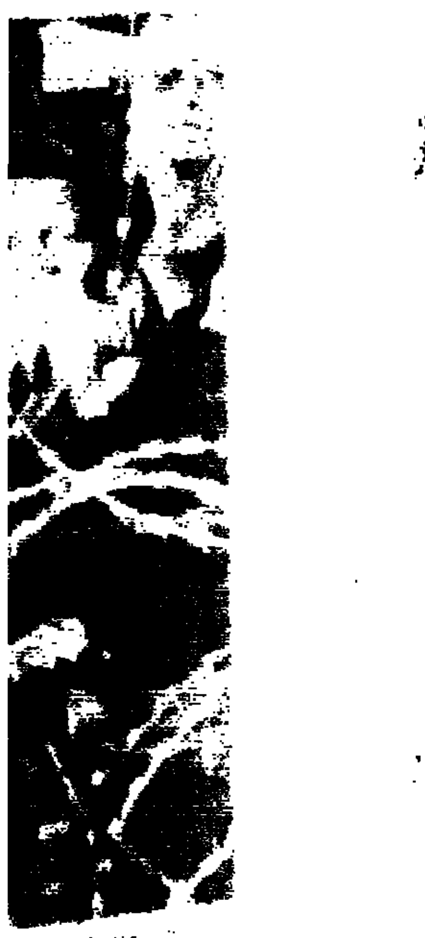

DEBT RESTRUCTURING EARLY REDEMPTION PLANNED OF TRUST FUND BUREAU LONG-TERM BONDS IN SEARCH FOR LOWER INTEREST RATES

Japan's local authorities to switch loans

By Gillian Tett in Tokyo

Some of Japan's local government authorities are poised to force through a restructuring of part of their long-term loans because they are struggling to meet the interest payments.

In particular, the local governments bodies are planning an early redemption of several trillion yen worth of long-term bonds issued to the Trust Fund Bureau at high interest rates, and instead raise cheaper short-term finance from regional banks and state institutions.

The move – believed to be the first such quasi-restructuring made by Japan's local authorities, which are dogged by spiralling debt levels and falling tax revenues – highlights the pressures building in Japan's public financial structures as the economy deteriorates.

The move has also triggered friction between different parts of the Japanese government, which is increasingly alarmed about the country's spiralling deficit. This government budget deficit is forecast to reach 10 per cent of gross domestic product this year, although this understates the total because it excludes some local government debt.

Some officials at the Ministry of Finance, which controls the Bureau, argue that an early redemption by local government bodies will be illegal. And although the likely size of the loans involved will be less than Y7,000bn ($61bn), it could alarm investors in the Japanese government bond markets, which are becoming increasingly sensitive to credit risk.

Japanese government bonds issued to private investors have always carried a clause allowing for early redemption in theory. But in practice the markets have always assumed that Japanese central and local government would not make use of this clause. And although the bonds to the Trust Fund Bureau are not traded on the open market, any early redemption could fuel credit concerns across Japan's vast government bond market as early repayment penalises bondholders.

However, the Ministry of Home Affairs (MHA), which oversees local government affairs, has forced the Finance Ministry to accept early redemptions by warning that regional governments urgently need to restructure their funding to avert a crisis. As Kunji Okue, economist at Dresdner Kleinwort Benson, says: "The government is using everything to stop local governments going into bankruptcy now."

The relationship between the Trust Fund Bureau and local government bodies has traditionally been a cornerstone of Japan's vast and opaque system of public finances. The bureau collects money from the state pension scheme and postal savings system, and lends this to other state institutions. At present, for example, it has around Y70,000bn of outstanding long-term loans to local government and another Y30,000bn of short-term loans.

Since the cost of the loans is pegged to bond yields, interest rates on new loans have fallen sharply in recent years. However, about a tenth of the loans was taken out in the mid-1980s when interest rates were 7 per cent or more.

In an attempt to appease the Ministry of Finance, the MHA will permit early redemptions only on loans taken out before 1985 and if the governments "have an extremely heavy burden on debt servicing costs", according to the private agreement between the two ministries. However, almost all the country's 47 prefectures are expected to meet this condition.

The MHA has also promised that local governments which make early redemptions will be barred from bureau loans for three years, except in "exceptional" circumstances. The government's fiscal 1999 budget has already been drawn up assuming that bureau short-term lending will rise sharply this year because tax revenues are slumping.

Obuchi reshuffle cements coalition

By Michiyo Nakamoto in Tokyo

Keizo Obuchi, Japan's prime minister, finally reshuffled his cabinet yesterday, setting the stage for passage of the 1999 budget and public debate on sensitive defence issues.

The reshuffle, which resulted in only one new cabinet member, followed long drawn out efforts to form a coalition government by the ruling Liberal Democratic party and the minor Liberal party.

Noda: appointed to home affairs minister job

The birth of the coalition boosted share prices in Tokyo, where investors were heartened by expectations that key bills would be passed through the Diet, which reconvenes next week. The benchmark Nikkei average gained 2.5 per cent to close at 13,738.86.

The coalition is expected to help the LDP, which lacks a majority in the upper house, to pass controversial legislation through the Diet. The ruling party is particularly concerned about the passage of bills to implement new defence guidelines agreed with the US, which allow Japan's Self-Defence Forces to provide greater support to US troops in emergency situations.

The government has been unable to pass the measures because of opposition from its previous coalition members and a more pressing need to tackle Japan's financial and economic woes.

William Cohen, US secretary of defence, who was in Tokyo yesterday, highlighted US impatience with the Japanese government's delay in implementing the bills and urged Mr Obuchi to take "quick, responsible and decisive action" on the bills.

Although the chances of passing the legislation appeared better as a result of the coalition, the agreement between the two parties on defence issues left sufficient ambiguity for differences to re-emerge in the days ahead.

The Liberal party has appeared the most willing among opposition parties to support the government's stance on implementing the guidelines.

However, Ichiro Ozawa, Liberal party leader, has disagreed strongly with the LDP on several critical issues, such as what troops are permitted to do under Japan's peace constitution in the event of a crisis and whether or not there is a need for cabinet approval for certain troop activity.

The wide gap between the two parties has raised concerns that uncertainty about the coalition's fragility could distract from efforts to rebuild the economy.

Takeshi Noda, Liberal party secretary-general, who was appointed home affairs minister, is a former finance ministry official known as an expert on economics and finance.

However, as well as the possibility that differences over defence will continue to preoccupy key members of the coalition government, the Liberals' participation in government is likely to spur further political manoeuvring within the LDP.

Ozawa: disagreements with LDP partners over activities of Self-Defence Force
AP

NEWS DIGEST

TRIAL IN MALAYSIA

Judge rules Anwar sex evidence is 'irrelevant'

After months of testimony about the alleged sexual misdeeds of Malaysia's sacked deputy prime minister, a High Court judge ruled yesterday that evidence on the allegations was irrelevant to the abuse-of-power charges Anwar Ibrahim is being tried on.

"I direct any such evidence that has been admitted to be expunged from the record and be not considered by both parties," Judge Augustine Paul said. Defence counsel Gurbachan Singh objected that by ruling the evidence irrelevant "the situation would be that the accused would be prevented from denying the allegations".

Mr Anwar has been charged with five counts of sexual misdeeds and five related counts of abuse of power. He denies them all as an attempt to keep him from challenging the rule of Mahathir Mohamad, the prime minister. **Sheila McNulty, Kuala Lumpur**

CHINESE CORRUPTION

Police action halts spending

China has saved its state coffers RMB4.7bn ($568m) after a police crackdown on bureaucratic corruption which has halted the decoration of 11,000 offices, cancelled 22,000 celebration parties, and stopped 7,400 overseas trips.

The state media also reported that the corruption sweep has netted 569,000 unwarranted home telephones and 383,000 unregistered mobile phones being used by party and government officials. A new system for home telephones and mobile phones, long considered an official perk, will save the state a further RMB2.5bn. The anti-corruption effort is part of a wider drive to conserve state revenues during what is expected to be a year of acute budgetary shortages. **James Kynge, Beijing**

NEPAL POLITICS

Election call follows vote

Nepal's prime minister won a convincing confidence vote in parliament yesterday and has said that only impartial elections can end the political instability that has clouded the Himalayan kingdom since the election of a hung parliament in November 1994.

Girija Prasad Koirala is now expected to ask King Birendra to order fresh elections, with an announcement likely today. Mr Koirala, supported by the country's largest communist faction and a regional party, won 136 votes in the 205-member house of representatives.

Mr Koirala is Nepal's sixth prime minister since the inconclusive 1994 elections. **Binod Bhattarai, Kathmandu**

DEVALUATION OF REAL CAPITAL CONTROLS TO BE FINE-TUNED

Malaysia heartened by Brazil

By Peter Montagnon, Asia Editor, in London

Malaysia's resolve to keep its selective capital controls has been stiffened by Brazil's decision to devalue its currency, Mustapa Mohamad, second finance minister, said in London.

The controls imposed last September had worked, and Malaysia remained nervous of another bout of speculation hitting financial markets, he told journalists. There was no need to dismantle the controls in the near future.

But Mr Mustapa confirmed that Malaysia was considering "fine-tuning" the controls to discourage large outflows of portfolio funds once this is permitted in September, the anniversary of the imposition of restrictions.

The controls in effect locked portfolio investors into the country for at least 12 months, but economists have estimated that between $5bn and $10bn could leave the country as soon as that period has elapsed.

Mr Mustapa said that Malaysia was considering a number of refinements including the creation of an exit tax that could allow a staggered withdrawal and more incentives for long-term investors, but he said any eventual package would have to be comprehensive and based on a realistic assessment of how much money was really poised to flow out.

Some foreign investors would want to remain, he said, especially since Malaysia's economy was expected to recover. Malaysia's foreign reserves had increased by $6bn, or 30 per cent, since controls were imposed and were likely to rise further given the country's large payments surplus, said Zeti Akhtar Aziz, deputy governor of Bank Negara, the central bank.

"Even if there was an outflow, we feel we can withstand it," she said.

The two officials rejected market criticisms that Malaysia had created a false dawn by trying to stabilise its economy through the imposition of capital controls and strong pressure on banks to lend domestically.

Banks had been asked to increase their lending by at least 8 per cent last year, Mr Mustapa said, but this was half the rate informally proposed by the International Monetary Fund and current indications were that the target would be missed by a wide mark.

Bank lending grew by less than 1 per cent last year, Ms Zeti estimated. This was largely because of a collapse in consumer lending by finance companies – the total fell 14 per cent in the first 11 months. Lending by commercial banks was up by 6 per cent during the same period.

Australia jobless at lowest in 8 years

By Gwen Robinson in Sydney

Australia's unemployment rate last month dropped to the lowest level in more than eight years, in a further sign of the country's economic resilience.

Official figures published yesterday showed that unemployment dropped half a point to 7.5 per cent in December, the lowest level since September 1990 and the biggest monthly fall in more than a decade.

Job vacancies, meanwhile, continued to rise, according to separate figures which showed that vacancies in the three months to November rose nearly 11 per cent.

High unemployment, which has remained above 8 per cent for most of the decade, has been frequently cited as one of the weak spots in Australia's robust economic growth over the past few years.

The latest figures, which showed that nearly 54,000 people found jobs in December, exceeded market expectations and prompted economists to revise earlier expectations of an interest rate cut in the first half of the year.

The growth in job vacancies indicated that employment growth would continue for some months, with some industries such as computers and services suffering labour shortages, economists said.

Andrew Pease, senior economist at Nomura Australia, said the numbers showed the delayed impact of strong economic growth in mid-1998.

Australia recorded economic growth of nearly 5 per cent last year – a pace the government has warned will slow to about 2.75 per cent in the current year.

The government welcomed the drop in unemployment, but warned that the extent of the decline indicated growing volatility in the labour market.

"These are a one-month set of figures. They always need to be treated with caution. But this is a very solid drop and welcome news," said Tim Fischer, the deputy prime minister.

Mr Fischer also warned on the effect of Brazil's currency devaluation and market turmoil.

Australia's direct exposure to Brazil was "very limited," he said.

But there were concerns about the indirect impact in areas such as commodities trade.

Delhi cross-shareholding plan 'hurts private sales'

By Krishna Guha in Bombay and Mark Nicholson in New Delhi

Plans in India to raise money by selling government-owned shares to public sector companies, creating cross-shareholdings between different enterprises, could scuttle efforts to sell shares in these companies to private investors, investment bankers warned yesterday.

They said the government-arranged marriages would make it difficult to take planned public issues of shares in Indian Oil, the state oil refiner, VSNL, the telecommunications company and GAIL, the gas supplier, to the market. "It is a choice," said a senior banker. "One or the other."

India's cabinet earlier this week decided to sell blocks of its shares in cash-rich oil and telecommunications companies either to the companies themselves or to other state-owned companies in related industries.

The government intends to sell 12.5 per cent of its holding in ONGC, an upstream oil company, 10 per cent of Indian Oil and GAIL, and 5 per cent of telecommunications companies VSNL and MTNL in this way. It hopes the sales will lift privatisation receipts to Rs80bn ($1.88bn).

The government could raise about Rs55bn simply by selling shares in Indian Oil to ONGC. This would help plug the gap in the fiscal deficit – which the government has already admitted is likely to overshoot the target of 5.6 per cent of GDP – reducing government borrowing and pressure on interest rates.

"Under present circumstances, and market conditions, there is not a great deal more you can expect," said an economist.

However, investment bankers – already aggrieved by delays and low fees for open market sales – attacked the new plan.

"Frankly cross-shareholdings are an absolute disaster," said a banker. "You force companies to commit capital for very little return." The Ministry of Petroleum is pressing Indian Oil, ONGC, and possibly Gail as well, to adopt cross-holdings. This would depress earnings at Indian Oil.

"Buy-backs, which could enhance earnings, create fewer problems," the banker added. Management at VSNL and MTNL – understood to oppose cross-holdings – are likely to follow this route, with the support of the telecommunications ministry. Buy-backs could be followed by future open market sales.

"Buy-back is not really very sensible," said one banker, who added that there were plenty of investment opportunities in India's underdeveloped core sectors.

Moreover, buy-backs will not transfer ownership from the public sector to the private sector. Many analysts see this as necessary if companies are to focus on improving efficiency.

G. V. Ramakrishna, the marginalised head of India's two-year-old disinvestment commission, said state-owned companies should be privatised first, then allowed to chose their own partners for cross-holdings or merger. "It should be a love marriage not a forced one," he said.

FT/S&P ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT/S&P Actuaries World Indices as at DECEMBER 31, 1998 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (number of lines of stock)	Market cap. as at 31/12/98 (US$m)	% of World Index	Market cap. as at 30/09/98 (US$m)	% of World Index	% chge in $ index since 31/12/97
Australia (76)	225826.0	1.16	183955.7	1.15	-0.40
Austria (21)	21653.8	0.11	20731.2	0.13	-2.50
Belgium (22)	177701.8	0.91	146783.3	0.92	64.65
Brazil (32)	54415.9	0.28	54955.7	0.34	-44.26
Canada (117)	365062.7	1.87	312187.7	1.96	-6.14
Denmark (34)	73829.6	0.38	63568.1	0.40	11.72
Finland (29)	111157.9	0.57	74926.0	0.47	108.58
France (75)	727399.6	3.73	594652.5	3.72	36.7[illegible]
Germany (55)	829383.8	4.26	702384.3	4.40	22.4[illegible]
Greece (36)	42356.5	0.22	29632.4	0.19	0.00
Hong Kong, China (67)	207885.3	1.07	158981.7	1.00	-13.90
Indonesia (26)	7757.3	0.04	3291.7	0.02	-24.12
Ireland (16)	47520.5	0.24	38661.6	0.24	37.32
Italy (53)	448717.8	2.30	345373.7	2.16	52.04
Japan (445)	1973587.6	10.13	1512574.7	9.47	5.47
Mexico (29)	53996.2	0.28	49205.0	0.31	-38.66
Netherlands (26)	517206.0	2.65	429323.4	2.69	29.21
New Zealand (18)	16980.9	0.09	12360.1	0.08	-22.78
Norway (37)	25812.2	0.13	23457.0	0.15	-31.26
Philippines (22)	7974.3	0.04	4553.0	0.03	13.88
Portugal (18)	43730.1	0.22	32383.4	0.20	0.00
Singapore (41)	38577.2	0.20	22474.9	0.14	-3.98
South Africa (38)	68436.4	0.35	67144.0	0.42	-30.53
Spain (30)	260839.1	1.34	202965.5	1.27	47.15
Sweden (44)	214784.9	1.10	195349.7	1.22	6.92
Switzerland (30)	604836.5	3.10	475396.0	2.98	21.69
Thailand (35)	5455.0	0.03	2718.4	0.02	22.92
United Kingdom (207)	1947260.9	10.00	1727930.7	10.82	14.00
USA (619)	10362423.8	53.19	8449963.9	52.92	27.85
Americas (797)	10835898.6	55.62	8866312.3	55.53	24.90
Europe (733)	6094190.9	31.28	5103738.9	31.97	24.84
Eurobloc (345)	3185310.2	16.35	2588184.8	16.21	0.00
Nordic (144)	425584.6	2.18	357320.9	2.24	18.16
Pacific Basin (730)	2483649.6	12.75	1929447.8	12.08	2.07
Euro-Pacific (1463)	8577834.4	44.03	7033186.7	44.05	16.94
North America (736)	10727486.5	55.06	8762151.6	54.88	26.33
Europe Ex. UK (526)	4146930.0	21.29	3375808.2	21.14	30.78
Europe Ex. Eurobloc (338)	2908880.6	14.93	2515554.1	15.76	-0.00
Europe Ex. UK Ex. Eurobloc (181)	961619.8	4.94	787623.4	4.93	0.00
Pacific Ex. Japan (285)	510056.0	2.62	418873.1	2.61	-9.25
World Ex. Eurobloc (1953)	16296859.3	83.65	13378458.2	83.79	0.00
World Ex. US (1679)	9119745.8	46.81	7516679.2	47.08	13.86
World Ex. UK (2091)	17534908.6	90.00	14238712.4	89.18	21.75
World Ex. Japan (1853)	17508582.0	89.87	14454068.4	90.53	23.00
The World Index (2298)	19482169.5	100.00	15966843.0	100.00	20.94

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Latest act in long and bitter dispute over Real

By Geoff Dyer in São Paulo and Stephen Fidler in Washington

Fernando Henrique Cardoso had been planning to spend the next week on the tropical beach of Estância, in north-eastern Brazil. Instead, his holiday lasted around four hours. After a quick dip in the sea and a game of cards on Tuesday evening, the Brazilian president was interrupted by news of the looming economic crisis.

The trigger was the information that more than $1bn had left the country on Tuesday, the start of the fourth assault on the Brazilian currency in 18 months and one that the government knew it would be unable to resist.

But when it came, the government's decision to devalue the Real caused barely concealed exasperation in Washington. Neither the International Monetary Fund nor the US Treasury, which together put together a $41.5bn financial package in November to defend the old exchange rate, was consulted before the decision. Both agencies were "informed" on Tuesday evening ahead of the announcement the following day.

But while from abroad the devaluation seemed a piece of on the spot improvisation, it was the the culmination of several months of intense conflict at the highest levels of the Brazilian government.

Ever since the Russian default in August put Brazil under immense pressure, ministers had been at loggerheads over the exchange rate.

While Pedro Malan, finance minister, and Mr Gustavo Franco, the then president of the central bank, insisted on holding tight, Luiz Carlos Mendonça de Barros, then communications minister, and José Serra at the health ministry began pushing for a devaluation.

While Mr Malan was sent to Washington to negotiate a bailout from the International Monetary Fund on the understanding that there would be no change in policy, Mr Cardoso started planning the creation of a new super-ministry to run all the state's economic activities, including its development banks. The new ministry of production, which was to be headed by Mr Mendonça de Barros, would have been a powerful counter-point to the finance ministry and central bank and would have ensured near-constant tension over currency policy.

However, a scandal over the July privatisation of Telebrás forced a change of plan. When the press published taped conversations of Mr Mendonça de Barros appearing to manipulate the auction, he was forced to resign from the government.

The IMF package was announced on November 13. But before long, concern and frustration grew in Washington at legislative delays and setbacks to the economic programme.

The decision to stick with the old exchange rate policy – which allowed for a gradual 7½ per cent annual slide – had come in November after an extensive debate, which left senior officials in Washington with some doubts. One agreed that the policy, at the time, appeared to be "the least bad option".

The government's budget cutting strategy was also not taking hold. Congress rejected an important proposal in December and blackmailed Mr Cardoso into giving them a pay rise.

When Itamar Franco, the former president and new governor of Minas Gerais, declared a moratorium last week on the state's debts to Brasília, the accumulation of political setbacks for the government sent markets into a tailspin.

With a devaluation looking ever more likely, Mr Franco the architect and principal defender of the strong currency policy, found himself increasingly isolated within the government, even with colleagues at the central bank.

His replacement on Wednesday by Francisco Lopes, his effective number two at the bank, represents considerable professional and personal continuity. Both men were born into the political elite (Mr Lopes' father was finance minister, Mr Franco's a presidential adviser); they both went to Harvard and used to teach at the Catholic University in Rio, along with Mr Malan. They also played central roles in the design of the the Real plan, Brazil's anti-inflation economic programme.

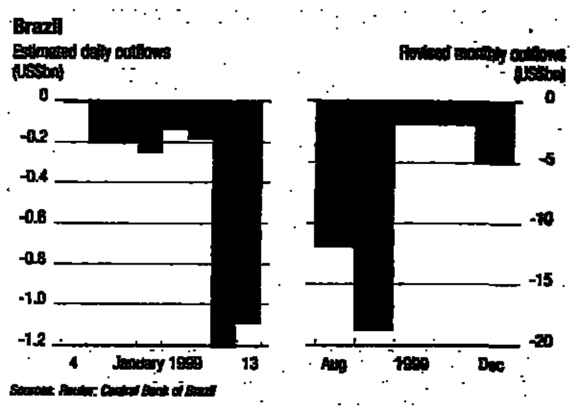
However relations had cooled in recent months, as Mr Lopes has come to argue for a more flexible currency policy and rumours gathered pace of Mr Franco's imminent departure. Mr Franco, who would have been pushed had he not taken the initiative, chose to deliver his resignation speech on his own, rather than alongside his successor.

The constant target of ever more vitriolic attacks from businessmen, trade unions and politicians alike, Mr Franco, 42, reflected on the emotional and psychological pressure he had found himself under. "People do not realise the extent of the stress and solitude that comes from the defence of principles and policies directed at the majority, which are opposed by powerful interests," he said.

Now Brazil and the IMF will have to pick up the pieces, hoping that a further run on the currency does not force a further devaluation.

Companies & Finance Page 15

Exhausted currency trader in Rio de Janeiro AP



Source: Reuter; Central Bank of Brazil

Schröder urges G7 action on 'architecture'

By Frederick Stüdemann in Berlin

Gerhard Schröder, German chancellor, said yesterday the latest bout of emerging market financial volatility, spearheaded by the Brazilian devaluation, was further proof that *laissez-faire* politics alone was not enough to help the developing world.

Speaking in Berlin, Mr Schröder said recent developments underscored the need for the Group of Seven leading industrial nations to reach an agreement at their Cologne summit in June over the establishment of a global financial "architecture". Germany currently holds the chair of G7.

Mr Schröder said he hoped the Cologne summit would produce an agreement on greater transparency in financial markets, more co-ordination between governments to avert crises and greater involvement of the private sector in assuming risks.

His remarks came ahead of ameeting today and tomorrow of Asian and European finance ministers in Frankfurt. Mr Schröder said the meeting would be one of several significant steps towards agreeing an international financial architecture.

The chancellor, who met earlier this week with Keizo Obuchi, Japan's prime minister, said there was common agreement among the leading industrial nations. "The basic principle that *laissez-faire* is not a correct policy for these markets has established itself."

Mr Obuchi recently toured European capitals to raise support for his proposals of "tripartite co-operation" between Japan, Europe and the US aimed at providing greater stability in the world currency markets.

Mr Schröder said a solution to volatility in emerging markets required greater consideration of social and political factors.

He said there would be "no harmonious development in poorer regions of the world if one believes one needs to only take consideration of narrow economic questions." There would be further crashes and turmoil if social and ecological questions were not taken into consideration as well. Mr Schröder said the Cologne summit would also include deliberations on "social dumping" and child labour.

Investors' response gives cause for hope on 'contagion effect'

By Peter Montagnon, Asia Editor, in London

In the bad old days, which means as recently as last summer, Brazil's devaluation would have sparked a chain reaction around many of the world's emerging markets.

Yesterday followed that pattern, but only partially. Asian currencies showed little change on the day but equities fell sharply in some cases.

Seoul shares closed down 4.5 per cent, Manila was off 4.8 per cent, and Jakarta 2.5 per cent. But Hong Kong slipped less than 1 per cent and and Bangkok managed a marginal gain in sympathy with a stronger Japanese market.

That hardly reeks of panic, and investors' relatively muted response raises questions of whether the contagion that hit the markets in the wake of Thailand's devaluation 18 months ago is now largely a thing of the past. Several factors speak in favour of this.

But it is early days yet, and some in Asia yesterday warned that celebrations might be premature. Much depends on whether Brazil's new exchange rate holds. "Confidence is misplaced," said Kate O'Donoghue of Barclays Capital in Singapore.

"It seems unlikely that people are going to accept that [a] 9 per cent [devaluation] is enough."

Thus, one risk is that fresh pressure on the Brazilian Real will eventually spill over into Argentina which, like Hong Kong, has a currency board arrangement for fixing its exchange rate.

That could spell trouble for Hong Kong's peg just at a time when the territory is already grappling with the consequences of a weak economy and the bankruptcy of Gitic, the heavily indebted Chinese finance company.

Ma Guonan, regional economist at Salomon Smith Barney in Hong Kong, agreed that a period of instability could lie ahead as the Brazilian currency was likely to fall further. But, he added, some things had changed since the crisis was at its height.

In particular, the yen, the weakness of which aggravated the problems of other Asian currencies last year, has recovered strongly, allowing the crisis-ridden countries to cut their domestic interest rates sharply in recent months.

Hong Kong, whose fixed currency makes it a natural target for speculators, has learned to manage market liquidity much better than before, so its interest rates do not soar to quite such excruciating levels at times of currency pressure.

Besides, not everyone believes the Real has to fall further. According to Stuart Parkinson of Deutsche Bank in London, one important factor will be the need for Brazilian corporate borrowers to acquire foreign exchange to repay or hedge debts.

Such a scramble for foreign exchange by domestic borrowers after an initial depreciation was the undoing of many an Asian country, including Thailand, Indonesia and South Korea.

But so far, European and US banks are not worried about losses on Brazilian lending and are less inclined to pull back credit than they were in Asia.

"The hedge funds don't have the fire power [to target currencies] any more," said Arnab Banerji of Foreign and Colonial in London. "Money centre banks are reluctant to push out loans as they did in the past."

That said, bankers still acknowledge a high degree of risk. Brazil, with its relatively low dependency on exports, has little direct impact on Asia.

But a period of uncertainty in the markets, coupled with continuing recession, could add to pressures on countries to introduce capital controls that would ultimately deter new investment.

If the currency problem spread to Mexico, a much larger exporter than Brazil, the knock-on effect on Asia would be considerably greater, Mr Parkinson added.

More generally, bankers said, any large losses incurred by international lenders in Brazil could add to the general mood of risk aversion which is inhibiting credit flows to the rest of the world. Yesterday's credit downgrade by Standard & Poor's was not encouraging in this respect.

Such large losses would hurt countries such as Thailand and South Korea, which still have large debts and need capital inflows to revive their crippled economies.

Even if Brazil does not spark a more generalised market crisis, its devaluation will have done little for the cause of a much needed economic recovery.

Consumers propel US growth

By Gerard Baker in Washington

Americans continued their three-year spending spree at the end of 1998 as the US economy completed another year of consumer-driven growth, according to figures published yesterday.

A leap in car purchases lifted overall retail sales in December by a seasonally adjusted 0.9 per cent, the Commerce Department said. But even excluding cars, spending remained buoyant, rising by 0.4 per cent last month. For the year as a whole, sales rose by 5.1 per cent, following a gain of 4.3 per cent in 1997.

However, consumer exuberance did not stop inflation dropping to a 12-year year low. The consumer price index rose by just 0.1 per cent last month, and by 1.6 per cent in the year to December, the Labor Department reported. A sharp fall in energy prices kept overall increases tame; excluding fuel costs, the increase was 0.3 per cent in December and 2.4 per cent for the whole year.

The inflation figure for the year was the best since 1986, and followed a small increase in 1997. The performance in both 1997 and 1998 was the best set of back-to-back annual figures since the mid-1960s.

The figures complemented others in the last week that gave a clear picture of the US economy at the end of 1998 enjoying sustained – and perhaps accelerating – growth, in the teeth of some of the most unfavourable international conditions in many years.

In the final three months of the year, total retail sales grew at an annual rate of almost 9 per cent, while unemployment fell to a 30-year low. Economists estimate overall demand in the economy expanded by more than 3.5 per cent – the third straight year of substantially above trend growth, and December's strength marked the 92nd consecutive month of growth, making the current upswing the longest peacetime expansion this century.

The only question remains how much longer this period of inflation-free strong growth can continue. The manufacturing sector has been hit by the international economic crisis and this week's financial troubles in Brazil are likely to make that worse.

How immune is Wall Street? Page 11

Warring Republicans fear a backlash over impeachment

Richard Wolffe reports from New Hampshire on disarray in the party at the start of presidential campaigns for the 2000 election

The Clinton impeachment

In the sleepy, snow-covered capitol of New Hampshire, the state's Republican party ought to be celebrating the start of a new legislative session.

After winning another commanding majority in the state House, as well as the re-election of its Washington senator and congressmen, the party should today be sitting back to enjoy the impeachment trial of President Bill Clinton.

Instead, New Hampshire's Republicans are in deep turmoil. As the presidential campaigns for the 2000 elections begin, Republican leaders fear the impeachment process could damage the party's image with voters, at a time when it has deep splits between its conservative and moderate wings.

Donna Sytek, Republican speaker of the state House, said: "As bad as Clinton is, the Republicans are not coming out of this smelling like roses. This has backfired. There's a backlash against the Republicans for picking on the president, and it is not good for the party. Maybe it's a vast leftwing conspiracy."

While their representatives in Washington are fighting against their Democratic opponents over the president's fate, Republican representatives in New Hampshire are largely fighting with one another.

Now the Republican clashes, over issues such as abortion, tax cuts, and local control of public services, threaten to block political compromise on problems ranging from censuring President Clinton to local education funding.

Many of the arch-conservatives are identified with Pat Buchanan, the popular right-wing television host who won the Republican presidential nomination in New Hampshire in 1996. Party officials blame the infighting for the loss of control of the state senate in November – for the first time since 1912.

"There are such divisions between the hard-core social conservatives with a right-wing agenda," Mrs Sytek said. "We have the balkanisation of our Republican caucus. We had a state representatives' meeting last week and many people told me they would rather be having root-canal work than attend the meeting. It's an ideological split: the social conservatives would rather be in the minority than compromise."

Other Republican officials fear that the party has become too distanced from the political mood of the wider voting public.

Wayne Macdonald, chairman of the Republican committee in prosperous Rockingham County, said: "A friend of mine, very conservative, predicts it will totally destroy the credibility of the party if we did not move hard on impeachment, and that censure is unacceptable. I think since we have taken things so far we have to go further, but censure is better than nothing.

"The big thing about impeachment is that people are tired of hearing about this whole Monica thing. The economy is going well, maybe the president is not attending to business as much as he should be, but he cannot be doing too badly, because people have jobs and can buy what they want. If we let this drag on for too long, there's potential for a backlash."

In New Hampshire, impeachment feels like last year's battle. The presidential campaigns for 2000 have already begun to attract attention, as candidates canvass support and finance. New Hampshire holds a critical role in the presidential race with its first-in-the-nation vote in the primaries to select party candidates.

Stephen Duprey, party chairman in New Hampshire, said: "Everyone has written off this president. I think both parties have, even the Democrats just want him to get out because they cannot defend him."

Bob Smith, New Hampshire's conservative Republican senator, has promised to stand as a presidential candidate, but seems to have little support even in his home state. An opinion poll among the state's Republican voters this week placed him in third place for the party's presidential nomination. The senator trails Elizabeth Dole, wife of former presidential candidate Bob Dole, and George W. Bush, governor of Texas and son of former President Bush.

Neither Mrs Dole nor Mr Bush have declared they will run. But New Hampshire Republicans appear so hungry for a candidate who could unify party factions that campaigning has already begun. A movement called Draft Elizabeth Dole 2000 has been launched in the state by the same people who were unsuccessful in their attempt to convince retired General Colin Powell to stand in 1996.

Mrs Sytek said: "Last week I saw a couple of our Republican members wearing Elizabeth Dole badges. One was among the most right-wing Republicans, the other our most liberal representative. I saw them looking at each other in wonder. The Republican party is like the Israelites in the desert right now. We're waiting for a Moses to take us to the promised land."

INSURANCE MARKET REGULATOR INVESTIGATES 'GROSSING UP' CASE INVOLVING $2M

Lloyd's slams 'offence' by brokers

By Andrew Bolger, Insurance Correspondent

Regulators at the Lloyd's insurance market said yesterday they were determined to crack down on "grossing up" by brokers – overcharging clients by misrepresenting the premium paid to underwriters.

David Gittings, director of regulation at Lloyd's, said grossing up was the "number one offence" his department had to deal with when he yesterday presented Lloyd's regulatory plan for 1999.

The report says transactions with high brokerage costs have been monitored. "As a result of this process, we have identified two major cases of 'grossing up' this year [1998], the largest amounting to over $2m, which are currently under investigation."

Guidance on this issue has already been issued to the market, generating several disciplinary cases. "More needs to be done, however, in clarifying the legal position, encouraging full disclosure and issuing guidance in relation to complex commission arrangements," says the report.

The regulators say the 1998 underwriting year has seen some of the worst underwriting conditions for at least a decade, not just at Lloyd's, but throughout the global insurance industry. "It is inevitable that some syndicates, perhaps many, will suffer underwriting losses," says the report. "Such a market has an effect on the behaviour of market firms, which we will continue to monitor to ensure that the interests of policyholders and capital providers are not put unduly at risk."

The report says weak market conditions and tough competition are causing difficulties for a number of the 170 Lloyd's brokers, who control some £18bn ($30bn) of insurance assets.

"Consolidation has led to the emergence of a small number of dominant brokers, and financial pressure on small and medium sized brokers is expected to intensify in 1999. In 1998 some 50 per cent of brokers made a pure operating loss and relied on investment income to make a profit. However, continuing low interest rates will reduce these returns."

Mr Gittings said Lloyd's was considering whether it would be possible to introduce different regulatory arrangements for individual and corporate capital, since limited liability capital this year accounts for 73 per cent of the market's capacity.

He said: "Lloyd's needs a system of regulation appropriate to tomorrow's market, not yesterday's. Lloyd's is a wholesale, professionals' market and must be regulated as such. We cannot, in the late 1990s, continue to operate without question the regulatory arrangements that were introduced to address the problems of the 1980s."

Gulf war's toll of pain persists, say researchers

By Alexander Nicoll, Defence Correspondent

Servicemen who served in the 1991 Gulf war are much more likely than other UK military personnel to report symptoms such as fatigue, headaches, memory problems and joint pains, according to an academic study published today.

The authors say their research, carried out at King's College, London, and published in the medical journal *Lancet*, proves that service in the Gulf affected servicemen's health. However, they found no evidence of a unique Gulf war syndrome.

The epidemiological study, funded by the US Defense Department, is one of the most comprehensive analyses of Gulf war illnesses carried out.

The researchers, led by professors Tony David and Simon Wessely, compared results of questionnaires sent to 4,250 British Gulf war veterans with those from two samples of the same size: UK servicemen who went to Bosnia as peacekeepers, and military personnel who served in neither the Gulf nor Bosnia. The response rate was 65 per cent. Respondents were not examined but asked to report symptoms.

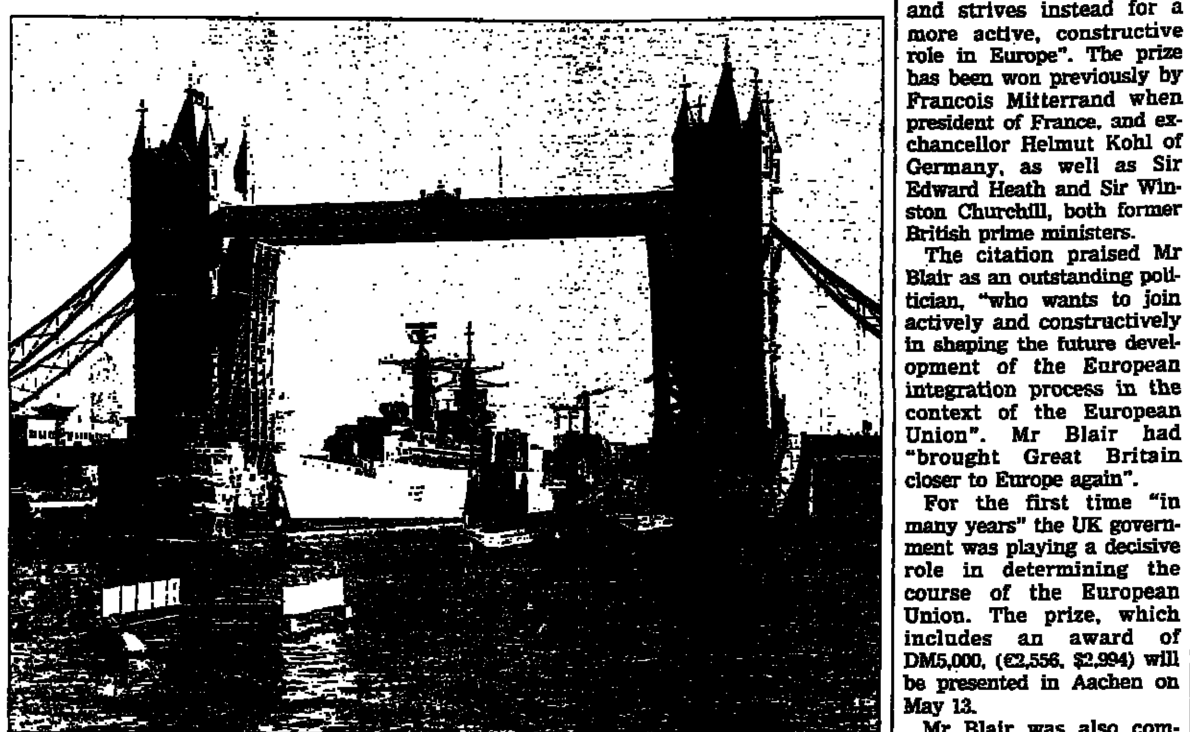
Gulf veterans were twice as likely as the other groups to complain of fatigue, back pain, poor sleep, headaches, memory loss, joint pains, asthma, arthritis and ulcers.

They were between two and three times more likely to have symptoms of post-traumatic stress or psychological distress. Results from the Bosnia and non-deployed groups did not differ much from each other.

The vast majority of respondents remained able to function "perfectly adequately", the researchers said. "There is as yet no evidence of an increased rate of adverse outcomes such as unemployment or marital breakdown." Nor could the researchers pinpoint a specific cause of illnesses from among the many possible hazards of the Gulf conflict. These included exposure to chemical or nerve agents, smoke from oil-well fires, vaccines, nerve agent protection pills, insect repellents and alarming experiences such as Scud missile attacks and chemical attack alerts.

A commentary in the medical journal *The Lancet* said service in the Gulf war was more hazardous than the death total would suggest. "Perhaps it was the very lack of mutilation and and death in that war that permitted the true physical and emotional costs of battle to be revealed."

● The British Army's new battle tank has passed field trials needed before it goes into front-line military service, the Ministry of Defence announced yesterday. Challenger 2, built by Vickers Defence Systems, "significantly exceeded" all its requirements during battlefield trials, the ministry said. The tests were part of the contract to supply the Army with 386 tanks.



Tower Bridge, one of London's most famous landmarks, was opened briefly yesterday to allow the Royal Navy frigate named after the capital to sail into it along the river Thames for the last time. The Type 22 Frigate, the fourth Royal Navy ship called London, was the flagship of the UK task force in the Gulf War of 1991. The 12-year-old ship is being retired under government defence cuts and may be offered for sale. The two platforms which form the road through the 105-year-old bridge are seldom moved, but had to be held vertically to allow the ship through Jan Brayley

Blair is hailed for shunning 'isolation' in Europe

By Ralph Atkins in Bonn

Tony Blair, the prime minister, has been awarded this year's prestigious Charlemagne prize by the German city of Aachen because of his role in recognising "the importance of the European unification process for the future of the continent".

The citation said Mr Blair "has turned away from the self-isolation of Great Britain and strives instead for a more active, constructive role in Europe". The prize has been won previously by Francois Mitterrand when president of France, and ex-chancellor Helmut Kohl of Germany, as well as Sir Edward Heath and Sir Winston Churchill, both former British prime ministers.

The citation praised Mr Blair as an outstanding politician, "who wants to join actively and constructively in shaping the future development of the European integration process in the context of the European Union". Mr Blair had "brought Great Britain closer to Europe again".

For the first time "in many years" the UK government was playing a decisive role in determining the course of the European Union. The prize, which includes an award of DM5,000, (€2,556, $2,994) will be presented in Aachen on May 13.

Mr Blair was also commended for his "Europeanisation" of the UK through constitutional reform, including embedding the European human rights convention in British law. The French-German-UK triangle had been given a "new swing". The premier had also helped "decisively" to bring peace in Northern Ireland.

The prize has been awarded almost every year since 1950 to prominent Europeans who have contributed to unification.

Contrite bank is fined heavily by regulator

By James Mackintosh in London

The Lloyds TSB banking group was ordered yesterday to pay nearly £1.5m ($2.47m) in fines, compensation and costs for failures in its unit trust arm.

The order came from the Investment Management Regulatory Organisation, which warned that the government's launch of the Individual Savings Account created the potential for other fund managers to make similar mistakes.

The fine is particularly embarrassing for Lloyds as it comes just four months after Abbey Unit Trust Managers, another part of the group, was criticised and forced to pay £613,500 for almost identical problems. Lloyds TSB itself was fined £325,000 by Imro last January for misselling pensions.

Lloyds TSB is accused of a series of errors linked to poor administration of personal equity plans.

Money was paid to the wrong customers, dividends were paid late, invalid personal equity plans opened, unit trusts overcharged and records of complaints and regulatory reviews not kept properly.

Several of the problems related to small computer programming mistakes that snowballed, including entering May instead of April as the beginning of the tax year. In all, £920,000 was refunded to 5,486 investors adversely affected between 1993 and November 1998.

"The potential [for more mistakes] is there for Isas because you have got the Inland Revenue rules on the tax wrapper as well as ours," said Judy Delaforce, head of media relations for Imro. "It is something firms are going to have to be very careful of and something we will be monitoring closely."

Imro, now part of the Financial Services Authority, the City super-regulator, said the fine was lower than it otherwise might have been because the bank co-operated with the investigation.

A spokesman for Lloyds TSB said it was "extremely sorry" for the errors. "New procedures and systems have been introduced."

No executives were disciplined as a result of the problems, either internally or by Imro.

Biggest Imro fines (£000)

£2,000	Morgan Grenfell*	1997
£750	Invesco MIM	1993
£740	Noble Lowndes	1993
£700	Jardine Fleming	1996
£425	Lloyds TSB	1999

*Owned by Deutsche Bank

Source: Imro

NEWS DIGEST

NORTH SEA OIL

Scottish revenue warning to pro-independence party

An independent Scotland would enjoy a much smaller share of the UK government's North Sea oil revenues than the Scottish National party has claimed and would be seriously disadvantaged by low crude prices, according to a new academic study. The study, conducted for The Economist magazine by Professor Alex Kemp of Aberdeen University, says Scotland would receive only 67 per cent of UK North Sea oil and gas revenues at current oil prices of under $14 a barrel.

This compares with repeated SNP claims that Scotland could benefit by around 90 per cent. The SNP campaigns for full independence for Scotland in the European Union, and oil revenues are an important component of its case that the country could prosper outside the UK.

Prof Kemp says UK government oil and gas revenues fluctuate not just with the prices of oil and gas but with the amount that oil companies are investing in development which they offset against their tax liability. His study uses a different division between Scottish and English waters from the SNP's.

● Sean Connery, the movie actor, is to be allowed to continue giving money to the Scottish National party even though he lives outside the UK. Political parties agreed yesterday to bar what they called "foreign donations" to campaigning for the first elections, due in May, to the Scottish parliament. But Mr Connery will be allowed to contribute to the campaign because he will be entitled to vote in the elections. **James Buxton, Edinburgh**

BOARDROOM BENEFITS

Survey reveals pension burden

One in four executive directors cost FTSE 100 companies almost twice their basic pay because of pension payouts, according to a survey by PwC, the accountancy firm. This 97 per cent rate compares with an average cost of just 8 per cent for all employees.

The generous executive payouts are likely to irk shareholders, many of whom have been calling for greater disclosure on the issue for some time. PwC's survey found that pensions for some 527 directors in the FTSE 100 cost an average of 54 per cent of a basic wage of £308,000 ($508,200) last year. John Shuttleworth, actuarial partner at PwC, said that this significant cost had previously been hidden in company accounts. "This research shows that shareholders have not been getting value for money."

Revisions to the London Stock Exchange listing requirements for companies which reported after June 30 1997 said they should either publish the actual cost of executive pensions or provide enough information for it to be worked out. However, only 40 per cent of FTSE 100 companies chose to fully disclose the transferable cost of pensions to executives last year. **Jane Martinson, London**

ILLEGAL IMMIGRATION CRACKDOWN

Warning by haulage groups

Government plans to fine hauliers for carrying illegal immigrants will cost business tens of millions of pounds a year, haulage associations said yesterday. Blue-chip companies with just-in-time systems, which depend on regular deliveries, could be badly hit, they said.

The UK government announced plans this month to fine truck drivers £2,000 ($3,300) for each illegal immigrant found on their vehicles. Trucks would be impounded until the driver or owner paid the fine, or proved they could pay it within a reasonable time.

The Freight Transport Association claimed yesterday the cost to business would be at least £32m. "Given that 8,000 illegal immigrants were discovered in lorries last year, the cost of the fines themselves will amount to at least £16m a year," it said. **Sathnam Sanghera, London**

MINIMUM WAGE REGULATION

Employers free of obligation

Most low paid workers will not have to be informed by their employer what their hourly earnings are under the government's statutory minimum wage regulations which come into force in April. Ministers have rejected – after employer lobbying – claims that there should be a legal requirement on an employer to tell every worker their average hourly earnings in their pay slip. The regulations, to be published shortly, also say that most workers do not have to be informed by their employer of the number of hours they have worked itemised on their pay slip. This would have enabled them to calculate more easily whether they were receiving the £3.60 ($5.95) an hour adult or £3.00 an hour statutory minimum rates for 18 to 21-year olds. **Robert Taylor, London**

LONDON PARKING

Charges 'will have to treble'

A trebling of parking charges, a tax of £5,000 ($8,250) a year on each workplace parking space and a congestion charge of up to £7.50 a day will be needed to reduce traffic levels in London by 15 per cent, the London Planning Advisory Committee said yesterday. Even then pollution levels from exhaust emissions will be above the targets set in the government's national air quality strategy, the committee admitted. **Charles Batchelor, London**

Research begins on CJD treatment

By Clive Cookson, Science Editor

Glaxo Wellcome, the largest UK drugs group, is beginning a project with St Mary's Hospital, London, to find treatments for Creutzfeldt-Jakob disease, the incurable brain disorder linked to BSE (mad cow disease).

The researchers will use a robotic screening system developed at St Mary's to test tens of thousands of Glaxo chemicals for any that could prevent rogue "prion protein" destroying the brains of CJD victims. They will also test drug candidates in laboratory mice.

The research will lay the foundations for a drug development programme, which could be scaled up rapidly if there turns out to be an epidemic of new variant CJD (nvCJD) among people who ate BSE-contaminated beef in the 1980s.

Scientists hope to discover the extent to which latent infection is lurking within the UK population by screening thousands of tonsils removed in routine operations over the next couple of years.

Diagnostic results from the St Mary's prion unit, published today in the medical journal The Lancet, confirm that a biopsy on a small tissue sample, removed from the tonsils in a minor operation, can distinguish reliably between nvCJD and other degenerative brain diseases. This will allow earlier diagnosis of nvCJD, which has until now depended on an analysis of the patient's brain tissue.

The St Mary's researchers believe that signs of nvCJD are present in tonsils well before it begins to affect the brain. They plan therefore to use the test to obtain a first estimate of the level of infection by examining a random anonymous sample of tonsils removed for other reasons.

John Collinge, head of the St Mary's unit, said yesterday: "If we were to screen several thousand tonsils and found that several were positive that would be a real cause for concern." But because so many unknown factors were involved, a negative result would not necessarily mean there was no danger of an epidemic. Official statistics show that 35 people had died of nvCJD by the end of last November. The St Mary's group has identified five patients still alive with the disease, on the basis of tonsil biopsies.

Drugs cut risk, Page 20

The Queen's new treasure chest

Antony Thorncroft casts an eye over the plans for the new home for the royal family's art collection

A fresh start: an artist's impression of the interior of the planned new gallery

Out of great disasters can come fruitful fresh starts. The fire that destroyed much of Windsor Castle in 1992, the final straw in the Queen's *annus horribilis*, and the public's response to the subsequent restoration – who pays? – forced the royal family to rethink its image, its financing, and, as a minor coda, the fate of the royal art collection.

Although only one painting was lost in the fire the collection was suddenly in the spotlight: its ownership; its role and its accessability became live issues.

In fact since 1962, with the opening of the Queen's Gallery in Buckingham Palace, efforts have been made to turn the greatest family-owned art collection in the world, with 9,000 pictures, enamels and minatures, thousands of prints and drawings, plus exquisite furniture, porcelain, armour, jewels, etc, into a public collection. Today no major work of art, and very few minor objects, have not been available to the public on constant, or temporary, view. Now, thanks to the Windsor fire, there will be a permanent exhibition in London in a rebuilt Queen's Gallery.

After the fire came the formation of the Royal Collection Trust, chaired by the Prince of Wales, which set about raising revenue from the better presentation of the art collection to help pay for the restoration at Windsor.

With the proceeds from the summer openings of Buckingham Palace and the fee charged for access to Windsor Castle, the trust has channelled millions into repairing Windsor, enabling the project to be completed six months early, and £3m under the estimated cost of £40m.

The most obvious was doing something about the Queen's Gallery. It is a small, convoluted structure, built over the royal chapel which had been bombed during the second world war. It is tucked away, and the occasional exhibitions held there attract comparatively few visitors – less than 150,000 last year.

The new Queen's Gallery, designed by architect John Simpson, will cost £15m and be open by February 2002 to help celebrate the Queen's golden jubilee. The cost will be met from the admissions income to Buckingham Palace and from Windsor.

The new building may not please the architectural press. It dares to be resolutely conservative, and merges effortlessly into John Nash's orginal designs for the site in 1831. Indeed the most eye-catching feature, a pavilion which will act as the entrance, is copied from a similar structure that Nash designed in 1814 for the Prince Regent. The rest of the building is equally tasteful, with many of the interior mouldings taken from Nash designs. The main point is that it extends the space for the Queen's Gallery about fourfold, and in the process covers up some ugly and unnecessary buildings.

Filling the new space presents some problems. Undoubtedly some of the great royal paintings will be on semi-permanent display, perhaps the great equestrian portrait by Van Dyck of Charles I, and similar royal portraits by Lawrence.

But the director of the royal collection, Hugh Roberts, will not want to lessen the impact of the displays at Windsor and Buckingham Palace. The Renaissance paintings at Hampton Court deserve a more prominent showing and could be moved to the new gallery, and there are hundreds of pictures in stock which could plug gaps.

With a collection that ranges from Raphael to Michelangelo, from Titian to Mantegna, from Holbein to Canaletto, Gainsborough to Reynolds, the new Queen's Gallery will be able to present a collection of art equal to anything on display in national museums in the UK or abroad.

In addition to the permanent display there will be three or four special exhibitions a year; a gallery for works on paper, which will sometimes include the Queen's greatest treasures, the drawings of Michelangelo and Raphael; and an electronic microgallery: a sign that the computerisation of the collection is the next project for the accumulating profits, to be followed by improved conservation.

The new gallery will do nothing to unsettle the achitecture of Buckingham Palace. The architects were chosen from a short-list of six by a secretive gathering of courtiers, and the Prince of Wales, with his interest in architecture and as chairman of the trust, will have been the decisive voice.

Before the old gallery closes later in the year there will be two more specialist exhibitions, which sum up its attractions and elitism. At the end of the month, "The King's Head: Charles I, King and Martyr", examines the importance of icons in 17th century politics. This will be followed by a display of Raphael drawings.

The royal collection still exists in a charmed limbo. It is, in theory, accessible to all, but still tucked away; it is owned by the Queen, but in trust to the nation; it reflects past connoisseurship rather than present enthusiasm.

Thanks to the Windsor fire the nation now has a greater awareness of the treasures held by the royal family, and the family has a greater willingness to share its inheritance.

OPERA RINALDO

Bartoli as the main attraction

Birmingham has stolen a march on London by securing the first UK performance of this *Rinaldo*, which is on tour around Europe. Rumour has it that Cecilia Bartoli, its main attraction, has a preference for the acoustics of Symphony Hall (who can blame her?).

Among Handel's operas, *Rinaldo* ranks as one of the semi-familiar, getting the occasional airing on stage, although it is more likely to be known from recordings. Christopher Hogwood and the Academy of Ancient Music have been the prime movers in taking this concert performance on the road, though it is not difficult to see the hand of a record company in the background. A recording is indeed imminent, albeit with big changes to the cast.

Bartoli herself will remain, as she will be the prime selling-point. Those who are interested in the prospect of a recording of Handel's original 1711 version of *Rinaldo* might like to note that she does not sing the title-role, but the secondary role of Almirena, which lies more comfortably for her a little higher in the voice.

In its varied solos she was as vivid and imaginative as ever, though the trick of sounding breathless has become an annoying habit. The big advantage of Bartoli's move into Handel is that she is Italian. In Handel's own day this would have been the norm, but how many Italians do we hear singing his music now? And what a difference it makes when the singer is aware of the power of the language: one positively looks forward to all those recitatives.

In the title-role here – though not on the forthcoming recording – Eva Podles offered a contrasting mezzo voice that is deeper and larger, more the old-fashioned kind of Handelian contralto. Her heartfelt singing of Rinaldo's big arias made a considerable impact, but could hardly have been termed stylish, however generously one might try to bend the definition.

It is hard to see why the bass Gerald Finley should be replaced, as his Argante was one of the cast's brightest features. Hilary Summers sang Goffredo with measured dignity and Maria Costanza Nocentini (signed up for Glyndebourne next year, always a good pointer to future promise) brought vocal cut-and-thrust to the role of the sorceress Armida. Of the two counter-tenors, Daniel Taylor was self-effacing to a fault as Eustazio, and Robin Blaze sang the Magician with Oxbridge choral purity.

Though their profile has dropped markedly in the past few years, Hogwood and his period-instrument orchestra still know how to play Handel. The performance was lively and theatrical without being hard-driven in the manner of some other 'authentic' conductors. Of course, they were fortunate to have a Baroque score so full of variety to play: it is remarkable to think Handel was only 25 when he wrote it. London will finally get its chance to hear this *Rinaldo* when it turns up at the Barbican in the spring; it will feature the cast of the recording.

Richard Fairman

MUSIC IN LONDON THE PARK LANE GROUP'S NEW YEAR SERIES

Young artists show the way forward

Five evenings of concerts at the South Bank's Purcell Room, this year's edition of the Park Lane Group's Young Artists New Year Series, ended last Friday. The 64 pieces played across 10 concerts – from modernist classics to premieres, by dozens of musicians (all under 30), solo or in ensemble – make detailing each performance impossible. The programmes were consistently enjoyable, the highlights unexpected.

This event was about young performers, with the added benefit of giving some fresh composers their first broad exposure. As it's not a composers' forum, no service was paid to cutting-edge radicalism. But not unexpectedly, the young composers heard last week distanced themselves from the pointy abstraction of their fathers' generation: the likes of Brian Ferneyhough or Harrison Birtwistle, also programmed, have lapsed into the old-guard.

Opening night has already been discussed in these pages. Day two brought a strong combination of performer and composer with the premiere of "Reflection" by Huw Watkins (b.1976), a forceful, engaging work and companion to his recent "Coruscation". Both were played by the composer at the piano and violinist Daniel Bell, the latter with a firm, burnished tone. They made their way with equal insight and commitment through Arnold Schoenberg's *Fantasy* and Elliott Carter's *Duo*.

One distinction this year was the inclusion of two virtuoso harpists, both French-educated, both commanding their instrument more surely, more heroically, than any of the other instrumentalists. Catherine Beynon's staggeringly animated account of Luciano Berio's "Sequenza II" had everything: she played all the notes and musical subtleties usually missing in performance. Martyn Harry's flowery "Regenstimmen", in its premiere, didn't demand as much technique from Beynon, but she conveyed it in idiomatic sounds, as if it were gentle folk-guitar music from the 1960s.

Two evenings later, harpist Anne-Sophie Bertrand gave the premiere of Franz Geysen's "Heptominomania", a flowing, quasi-minimalist piece that didn't venture far from traditional dulcet harp technique – a contrast with the banging and aggressive plucking of Marius Constant's "Harpalyce" and Carter's mischievous, teutonic-sounding "Bariolage". Interestingly, unexpectedly, the most notable players – with the most compelling repertoire of the week – were solo harpists.

James Olssn, a 16-year old composer who excitedly tried to say a lot in his "Imbroglio", shared a program with the 89-year-old Minna Keal, who didn't say nearly as much in her "Wind Quintet". The Galliard Ensemble handled both in taut, well-rehearsed form.

From Judith Weir came two works of imaginary, cheery folk music: "Airs from Another Planet", (splendidly played by the Marais Ensemble), and "The Bagpiper's String Trio", in an insecure reading by Chamber Domaine. For all her music's buoyant lightness, episodic warmth, and polished craft, it rarely leaves a satisfying or substantive impression. One problem for me is how she wraps up a piece. Her music seems to beg for a reason to move onwards, for a drive towards its finale, which would give the listener a sense of closure. Missing from Weir's arsenal is a knack for what literary critic Frank Kermode called a "sense of ending".

A few notable successes: Stephen de Pledge took a cool, literal approach for his portion of Jonathan Harvey's "Tombeau de Messiaen", scored for piano and tape. It worked. Australian pianist Mark Kruger, as a single concert, gave canny treatment to Charles Ives's Concord Sonata; and the Quartz Saxophone Quartet, wearing matching hipster suits, played Gary Carpenter's jaunty, carnival tinged "Une semaine de Bonte", based on a set of surrealist paintings by Max Ernst.

With concerts in early January, the series seems to have found an open niche in the calendar, although only a few performances got anywhere near audience capacity.

Pierre Ruhe

INTERNATIONAL

Arts Guide

BERLIN

EXHIBITION
Hamburger Bahnhof
Sensation: works from the Saatchi collection of Young British Artists including Damien Hirst and Rachel Whiteread. Originated at the Royal Academy in London last year, where it attracted 350,000 visitors and maximum publicity; ends Jan 17

BIRMINGHAM

EXHIBITION
Birmingham Museums and Art Gallery
Tel: 44-121-235 2834
Sir Edward Burne-Jones: comprising more than 200 works by the Pre-Raphaelite artist, including tapestries and jewellery as well as paintings; ends Jan 17, then transfers to Paris

CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Mefistofele: by Boito. György Györiványi Rath conducts a revival staged by Peter McClintock. Samuel Ramey sings the title role; Jan 16, 19

COLOGNE

OPERA
Oper der Stadt
Tel: 49-221-221 8240
Die Vögel: first modern staging for Walter Braunfels's opera. Premiered in 1920, it was banned by the Nazis and largely forgotten until a recent recording. This production is conducted by Bruno Weill and staged by David Mouchtar-Samorai; Jan 15

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● BBC Symphony Orchestra and Chorus: conducted by Andrew Davis in works by Messiaen. With piano soloist Stephen Osborne; Jan 16
● BBC Symphony Orchestra and Chorus: conducted by Andrew Davis in works by Messiaen. With piano soloist Yvonne Loriod; Jan 17
● San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Ives, Mendelssohn and Prokofiev. Featuring violin soloist Gil Shaham; Jan 21

EXHIBITIONS
Royal Academy of Arts
Tel: 44-171-300 8000
Charlotte Salomon: selection of gouaches by the Berlin-born artist, who died in Auschwitz in 1943 after living in hiding in France for three years; ends Jan 17

Tate Gallery
Tel: 44-171-887 8000
John Singer Sargent: large-scale retrospective containing 150 paintings, including major public and private loans. Includes late landscapes and American and British society portraits from the 1880s to the early 1900s; ends Jan 17

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
La Traviata: by Verdi. Paul Daniel conducts a staging by Jonathan Miller; Jan 20

LOS ANGELES

OPERA
L. A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Madama Butterfly: by Puccini. Conducted by Marco Guidarini and directed by Christopher Harlan. With a cast including Yoko Watanabe, Richard Leech and John Atkins; Jan 16, 19

MADRID

EXHIBITION
Fundación Juan March
Tel: 34-91-435 4240
Marc Chagall: Jewish Traditions. 40 paintings by the Russian-French painter, produced between 1909 and 1976. They detail Chagall's progression through such styles as Expressionism, Cubism and Surrealism; from Jan 15 to Apr 11

MILAN

EXHIBITION
Palazzo Reale
Tel: 39-02-8691 5738
L'Anima e il Volto: (The Soul and the Face): major exhibition of portraiture, comprising 370 works ranging over 400 years. Artists represented include Titian, Caravaggio, Van Dyck, Picasso and Francis Bacon; to Mar 14

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Ivan Fischer in works by Stravinsky and Bartók, with violin soloist Ivan Fischer; Jan 15
● Munich Philharmonic Orchestra: conducted by Kent Nagano in works by Liszt, Prokofiev and Stravinsky. With violin soloist Kyung-Wha Chung; Jan 21
● Philharmonia Orchestra London: conducted by Christoph Eschenbach in works by Mozart, Prokofiev and Brahms. With piano soloist Tzimon Barto; Jan 17

OPERA
Bayerische Staatsoper
Tel: 49-89-2185 1920
www.staatstheater.bayern.de
Lohengrin: by Wagner. Peter Schneider conducts a staging by Götz Friedrich. Cast includes Adrianne Pieczonka and Waltraud Meier; Jan 15, 19

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: conducted by Riccardo Muti in works by Brahms, Busoni and Ravel; Jan 20, 21

EXHIBITION
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
Dosso Dossi, Court Painter in Renaissance Ferrara: includes rarely lent masterpieces from the Borghese Gallery in Rome and other European collections; to Mar 28

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Werther: by Massenet. Donald Runnicles conducts a staging by Paul-Emile Deiber. Cast includes Susan Graham and Thomas Hampson; Jan 15, 19

PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Neeme Järvi in works by Tchaikovsky and Franck, with violin soloist Régis Pasquier; Jan 20, 21

PRAGUE

DANCE
National Theatre of Prague
Tel: 420-2-2108 0131
www.anet.cz/nd
The Nutcracker: by Tchaikovsky, in a staging by Russian choreographer Jurij Grigorovic, with sets and costumes by Simon Virsaladze; Jan 15, 16

ROME

EXHIBITIONS
Palazzo delle Esposizioni
Tel: 39-06-474 5903
Valori Plastici: taking its title from that of a short-lived magazine published by Roman art dealer Mario Broglio, who managed such names as De Chirico, this show includes sculpture and paintings, mainly by Italian artists, but also including little-known works by Picasso, Klee and Grosz; ends Jan 18

Palazzo Ruspoli
Tel: 39-6-6830 7344
www.palazzoruspoli.it
The Denis Mahon Collection: last stop for the touring exhibition of more than 80 Italian baroque paintings collected by Denis Mahon. Includes works by Guercino; ends today

SAN FRANCISCO

CONCERT
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Ives, Bernstein and Prokofiev; Jan 15

WASHINGTON

OPERA
Washington Opera, Kennedy Center
Tel: 1-202-295 2400
www.dc-opera.org
The Crucible: by Robert Ward. New production by Bruce Beresford, conducted by Daniel Beckwith; Jan 15, 17, 20

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PHILIP STEPHENS

Judges be judged

An unintended but welcome result of the Pinochet case is that it advances the cause of radical reform of Britain's judicial system

Two months ago Britain's highest court lit a beacon for justice by denying General Augusto Pinochet immunity from prosecution. Now this tribunal of distinguished law lords is to revisit the crimes of the former Chilean dictator. Its duty is to keep alive the flame.

Yet those who then praised the quality of British justice – and the applause was heard across the civilised world – must now admit that this case has thrown up an uncomfortable paradox. Even as it made "modern" law in asserting the primacy of certain basic human rights over the convenience of politicians, the House of Lords inadvertently exposed the anachronistic quality of its own proceedings. Its wisdom, we learned, was built on crumbling foundations. So, and here is the unintended irony, an important consequence of this affair will be to advance the case for radical reform of Britain's judicial system.

Surviving victims of the Pinochet regime, of course, will have other things on their minds when the judges reconvene on Monday. Who can blame them? The most pressing requirement of these new proceedings is an unequivocal reaffirmation of the judgment denying him legal sanctuary. The lower courts can then move on to test the evidence presented by the Spanish government for his extradition to Madrid.

A reversal of the Lords' initial ruling would be a blow not just to the victims of one heinous dictatorship. It would insult the principle, painstakingly established over the past several decades, that some crimes allow no hiding place.

Setting General Pinochet free would defile the solemn declaration of the Nuremberg Tribunal that "the principle of international law which, under certain circumstances, protects the representatives of a state, cannot be applied to acts condemned as criminal by international law".

It would make a mockery too of Britain's signature on a clutch of international treaties that set aside the norms of politics and diplomacy in cases of crimes against inhumanity. London would be certified a safe haven for ousted leaders of murderous regimes.

Happily, this argument prevailed in the law lords' original judgment last November. His status as former head of state, they declared, did not confer immunity for the crimes of which General Pinochet stood accused.

That decision was carried by a vote of three-to-two on the panel of five law lords. Subsequently it was shown that one among the majority, Lord Hoffman, had failed to notify his longstanding personal support for Amnesty International, a party to the case against the general.

The connection should have been declared. For justice to be done, as it has been famously said, it must be seen to be done. A second panel of law lords rightly set aside the ruling and ordered that the case be reheard.

A third panel, this time of seven, must thus re-examine the substance of the case. In theory, a majority on this new tribunal could declare that the general is indeed entitled to the immunity he claims. This raises the possibility, nothing more, that General Pinochet could soon be on his way back to Santiago.

For Tony Blair's government that would be a convenient outcome. True, British ministers have enjoyed the international acclaim that followed the first ruling. But in private conversation they never quite dispel the impression that they would prefer the issue to go away. How much easier it would be if relations with Chile returned to business as usual. Think, after all, of those lucrative arms sales.

Yet I cannot see how the judges could justify such a reversal. The arguments against immunity look, if anything, more compelling now than in November. The narrow legal judgment – that the essential purpose of international law is to ensure public officials are accountable for their crimes – has gone unchallenged.

It is there, spelt out not only in numerous conventions on genocide and torture but also in the terms of reference for the tribunals considering war crimes in the former Yugoslavia and Rwanda. Reaffirmation is found in the recently signed statutes of the International Criminal Court.

The general's other defences are flimsier still. His lawyers say that his own hands were never soiled by the blood of the tortured, murdered and disappeared. Perhaps not. But it has always been a cardinal tenet of British law that those who direct crimes share the guilt with those who carry them out.

Nor is there any prospect of General Pinochet facing trial in his own country. There are indeed investigations. But the reality is that the present government in Chile rules on sufferance. The military will protect their commander-in-chief emeritus.

These are the points of law then that will preoccupy the new panel of judges. But at the back of their mind too will be the realisation that to overturn the initial ruling would bring to the full public gaze the archaic nature of their court. They would be declaring that justice, far from being impartial, falls prey to the random selection of those called to administer it. Where else can a supreme court overturn the justice it has pronounced only a few weeks earlier?

There are some who say this is an anomaly that can be readily rectified. In important cases, the law lords could sit, like the US Supreme Court, *en banc*. All available members would give judgment, eliminating the possibility that they could be second-guessed by another panel.

That would help. But it is too late for tinkering. The British system of justice defies the separation of powers which should lie at the heart of the rule of law. Derry Irvine, the Lord Chancellor, a member of Mr Blair's cabinet, sits astride the three branches of the executive, legislature and judiciary. He appoints the judges – in secrecy. Lord Irvine once proposed an appointments commission to take over the task but high principle has given way to relish of the patronage.

This state of affairs is unsustainable. Mr Blair's government has committed itself to root-and-branch reform of the nation's creaking constitution. Next week it will publish plans to banish hereditary peers from the House of Lords. Next year the European Convention on Human Rights will be incorporated into British law. This will make explicit the duty of the judges to act as custodians of basic rights.

A system of justice that leaves the final word with law lords whose appointment lies beyond independent scrutiny escapes this powerful wind of change. Britain needs a new constitutional court – free of the taint of executive patronage and entirely independent of the legislature. First, though, its present one must deliver long-denied justice to the victims of General Pinochet.

LETTERS TO THE EDITOR

Tackling Japan's deflation menace

From Prof Tim Congdon, Mr Charles Dumas, Mr Brian Reading and Mr Andrew Smithers.

Sir, In a discussion of the Japanese economic situation, Lex (January 7) claims that "getting the Bank of Japan to monetise the government debt by in effect printing money to buy bonds" would carry "huge dangers", as well as being "politically difficult". We submit that, on the contrary, monetisation of government debt has become essential.

The source of Japan's macroeconomic woes is the mess in its banking system, which has led to low money supply growth and persistent asset price weakness. To stimulate rises in asset prices, the authorities must raise the rate of money supply growth. The "money supply" here means the deposits that form the bulk of commercial bank liabilities. But the commercial banks can increase their deposit liabilities only if they can expand the assets on the other side of their balance sheet.

Banks can expand their assets in two main ways: by extending new credit to either the private sector or the Japanese government. Because of depressed asset prices and the strains in its balance sheets, the private sector is reluctant to borrow. Further, since interest rates cannot go any lower, there is no scope to stimulate private credit demand by cutting interest rates. The remaining option is for the banks to lend to the government.

In principle, this should be easy to organise. The government has a large budget deficit, which it is financing by the sale of medium-dated bonds to the non-bank public. It should instead issue short-dated bonds, or even very short-dated paper such as Treasury bills, and sell them to the banks. This policy may be hindered by old regulations that discourage the government from financing its deficit with Treasury bills. In the late 1940s and 1950s too much short-term bank financing of the budget deficit may have carried inflationary dangers.

But deflation, not inflation, is the threat to Japan in the late 1990s. Faster money growth, achieved by much-expanded Treasury bill issuance and monetary financing of the budget deficit, is a responsible answer to the deflationary menace.

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Hoarding has caused the crisis in the economy

From Mr John Rix.

Sir, Martin Wolf covers the paradoxes in managing the Japanese economy ("Too little, too late. The Bank of England's intervention against the yen is not enough", January 13), but does not mention the overriding cause – what one might call hoard-itis.

Owning already perhaps one-third of US Treasury debt and huge other overseas assets, bought out of its persistent and huge trade surplus, Japan is probably the greatest creditor nation on earth.

The problem is lack of internal economic activity – and how to stimulate it to replace the export surplus – which is, as others point out, unsustainable.

The simplest method would be a capital levy on personal assets in excess of, say, £1m, rising to perhaps 25 per cent on individual assets above £20m – to be paid over an extended period for fixed assets but quicker on current assets, for instance by surrendering the like US Treasuries and shares and cash balances.

This could be used for a vigorous spending programme, as well as refinancing bankrupt institutions, and supporting pension funds.

Drastic, yes, but better than meltdown, even for Japan's rich.

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Historic roots of Rothmans

From Mr R.B. Greenburgh.

Sir, The Financial Times prides itself on its accuracy.

It was therefore rather sad to read in Tony Jackson's article "Squaring up to Marlboro Man" (January 12) that the Rupert family founded Rothmans.

The Rothman tobacco business was created by Louis Rothman when Queen Victoria was on the throne.

It became a publicly quoted company in 1929 and control was acquired by the Ruperts in 1953.

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Why millennium work is beyond political frontiers

From Mr Peter Gabriel.

Sir, I would like to reply to the story "Labour party donors secure dome contracts" (January 13), quoting Peter Ainsworth, Tory spokesman on culture, regarding "cronyism".

Just over a year ago I received four invitations to collaborate on different projects for the millennium, two overseas. One was to be the artistic director of a theme pavilion for the Hannover Expo 2000 and another was from Mark Fisher, minister for the arts, who invited me to be his partner in creating a visual and musical experience for the dome. None of these invitations were related to my political sympathies or donations.

I was curious why Mr Fisher and the NMEC had asked me. I was told it was my experience in combining music, unusual visual work in large shows, videos and multimedia, and collaborations with different cultures.

Despite all my other commitments I decided to get involved with this project as I thought there was a great opportunity to create something unusual and exciting in a magnificent building, rather than join the chorus bitching about it.

I was somewhat amused by the comment that Jeremy Irons and myself "will be glad of the work". I am in fact glad that we provided a politician in opposition with a little work to do, even if it is fictitious muck-raking.

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Europe's censure motion

Quentin Peel and Peter Norman explain why the European parliament's vote yesterday matters, even though it did not bring the Commission down

It was "one of the most important votes that has ever taken place in the European parliament", says José María Gil-Robles, its Spanish president. At stake was the future of Jacques Santer, president of the European Commission, at least two of his commissioners, and possibly all of them.

The parliament had been asked to pass a motion of censure on the commissioners after accusations of financial mismanagement: 42 per cent of parliamentarians who voted chose to condemn the executive and seek its resignation.

All the same, that left Mr Santer trying not to look smug. After all, he survived the motion.

For days, he and his 19 fellow commissioners had been subjected to varying degrees of vilification for their lack of accountability, mismanagement, dilatoriness, and inability to root out fraud and corruption. Two commissioners were named and urged to step down for alleged maladministration in their departments.

But when it came to the vote, the critics (from both left and right) were unable to summon a majority, and the motion was lost by 232 votes to 293.

"What prime minister in Europe can claim to have such a majority?" Mr Santer demanded, as he rode up to face the press. "It was a double victory. They failed to get an absolute majority, and they failed to get a two-thirds majority, both of which they needed. It was a vote of confidence."

Perhaps. But that was not how members of the parliament saw it and the truth is that a week of extraordinary wrangling has left the Commission with a bloody nose, and the parliament feeling more powerful. Meanwhile, Europe's citizens probably feel more disenchanted than before with the workings of the European Union.

"No ordinary person can tell the difference between the Commission, the parliament, and the 15 member states in the Council of Ministers," according to one French diplomat. "So allegations of fraud and mismanagement affect us all.

In the long term, the dispute may be more positive than that suggests. Pat Cox, the Irish independent who leads the Liberal group in the parliament, called the vote a victory for democratic accountability because, he said, the Commission had been forced to defend itself in public and to concede a raft of reforms in its administration and appointments.

"Here is a parliament almost playing it by ear, and discovering all sorts of powers," said Peter Ludlow, director of the Centre for European Policy Studies in Brussels. "Life will never be the same again. No treaty will be needed in the future to remind the Commission that it is responsible to the parliament."

The escalation of the dispute to the point of yesterday's vote of censure partly reflected Mr Santer's inept mishandling of the parliament since it refused to sign off the 1996 budget last month – in itself a strong criticism of the executive's financial management. He challenged parliament to pass a motion of censure, in order to prove that he still had cross-party support. As a result, he unleashed the whole bruising debate, and the direct attack on Manuel Marin, his Spanish vice-president, and Edith Cresson, the French commissioner responsible for education and training.

But the tussle is also symptomatic of a longer-term power shift between parliament and Commission, which is likely to continue running in parliament's favour.

Mr Gil-Robles pointed out yesterday that the MEPs' greater militancy was a logical consequence of the powers granted to parliament by the 1992 Maastricht treaty. It had simply taken time to adjust to that new strength.

Under the present treaty, the Commission is a single college, and individual commissioners cannot be held responsible for their own programmes. They are appointed by the 15 member states in the Council of Ministers, and none has ever been dislodged, in spite of notorious cases of ineffectiveness and incompetence. The parliamentarians are determined to change that, as a step towards making Brussels more accountable. "The individual responsibility of commissioners has been put on the agenda," said Willy de Clercq, himself a former trade commissioner. "We will not take it off again."

That determination, even if it takes time to realise through treaty changes, will put pressure on member states to select more competent commissioners, and ensure the Commission is efficiently run.

That in turn will force further changes. Taking the long view, it is possible to argue that the Commission's power peaked relatively early in the history of the EU. It has been in decline since 1966, when the then six member states won a right of veto over matters of "vital national interest", undermining the Commission's role as the principal initiator of policy.

Under Jacques Delors, Mr Santer's charismatic and powerful predecessor, the Commission still initiated a great deal of legislation. Under Mr Santer, its task has been rather one of managing the programmes. Yet, according to Mr Ludlow, the Commission's personnel has not been changed to suit the new more modest purpose. "In a private firm, you wouldn't turn the planning department into an accountancy unit," he says.

In addition, the commission has been ill-served by both member states and the parliament, which have heaped responsibilities on it without providing extra resources. The Commission has been guilty of accepting them, and of taking on too many tiny programmes.

"We had far too high a number of small projects," says Erkki Liikanen, the Finnish commissioner responsible for the budget. "We should create a minimum size of project, and never accept one where the cost of control and management are higher than the expense of the project itself."

All that is practical good sense. But the parliament has exposed a fundamental lack of accountability in the Commission itself.

And because of the vote, that is no longer just the Commission's problem. In the wake of yesterday's censure motion – and the broader powers being given to the European parliament by treaty – the responsibility for sorting out the mess will in future be shared more widely. If there are more scandals over mismanagement, it will be far more difficult for the member states and the parliament to escape their share of blame.

هكذا من الأصل

FINANCIAL TIMES

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Friday January 15 1999

Commission gets a bloody nose

A democratic government might be delighted to win a vote of no confidence with only 44 per cent against it. But the result of yesterday's censure motion in the European parliament must be regarded in a very different light.

It is an important round of what may prove to be a long struggle between the parliament and the European Union's Commission appointed by the Council of Ministers. And the vote highlights long-standing deficiencies.

The appointment of the 20 commissioners has too often been the result of horse trading between different countries and the repayment of political debts. Once appointed, commissioners cannot be sacked individually, although in extreme cases the European Court of Justice could get rid of them. This excessive security of tenure can lead to complacency, non-attendance, cronyism, fraud and mismanagement. Even if most commissioners are hard working and effective, the reputation of the whole Brussels bureaucracy is damaged by a few cases of unpunished laxity.

In this case, two commissioners were accused of mismanagement: Manuel Marin, formerly responsible for humanitarian aid, and Edith Cresson, responsible for education. The charges may be unfair, but the two commissioners failed to make any significant effort to answer them. The commission as a whole, under its president, Jaques Santer, retreated behind the doctrine of collective responsibility.

It is not surprising that the parliament failed yesterday to muster a two-thirds majority to sack the lot – its only option in such cases. But the 232 votes in favour of a motion to get rid of them cannot – as on past occasions – be shrugged off as political posturing. In the first place the vote is much larger than in any of the four previous censure motions. Second, the issue is more serious.

The cleaning up operation promised by Mr Santer in response to parliamentary criticism is welcome, but it is not enough. The EU's member nations need to start the process of framing a new political constitution for the EU. It is already common ground that the launch of the euro and plans to enlarge the union require some important changes.

But a broader agenda is now needed, to make the commission more accountable, to make EU decision making – particularly in the council of ministers – much more open, and to infuse the whole system with more political legitimacy.

As EU members are brought closer together, first by economic integration and later by foreign policy co-operation, the parliament will inevitably seek more influence. In the long run a stronger parliament is desirable. But it must earn its powers.

It is now almost the only democratic check on the European Central Bank, which is in danger of becoming far too remote and uncommunicative. Two remedies are needed. First, the parliament must develop to become more than a terrier snapping at the heels of policymakers. It can become a guard dog with a respected bark.

And second, the other European institutions must adapt. They must accept a higher degree of accountability to all the voters of the European Union.

Fear of flying

Ask most people what frightens them most about the millennium computer bug and the answer must be air travel.

Nearly all western airlines have updated their computers so that malfunctioning aircraft do not crash when internal calendars switch to 2000. Now the Chinese government has hit on a grimly persuasive way to demonstrate air safety in the east.

The order has gone out that all Chinese airline bosses must be in the air, in their own carrier's aircraft, next January 1. This is not a new idea. Also in the skies next January 1 will be Jane Garvey, head of the US Federal Aviation Administration, who will fly coast to coast across the US to demonstrate her faith that all will be well. Unlike her Chinese counterparts, she has chosen to do this. China's air bosses will probably be taking a greater risk than Ms Garvey, who will be flying to and from more sophisticated airports in more up-to-date aircraft.

Either way, both the Chinese and US air travel authorities have missed the point. The big aircraft manufacturers have worked hard to debug the batteries of computers and chips that control modern aircraft. But – and here is the point – it will be far harder to debug air traffic control systems on the ground. Their computer systems are more complex and numerous. There is no guarantee that some of the world's more far flung airports will have mastered the bug.

Even if the main air traffic control systems are fine, support programs, such as those controlling power and light, may be vulnerable – especially in countries with a high proportion of pirated software. So the risk will come from the ground more than the air. That is why KLM has said it might not fly, from New Year's eve, to an unpublished blacklist of airports where it mistrusts traffic control systems.

If air transport authorities want to make a convincing gesture, they should invite air traffic control bosses to join airline executives on the flight deck next January 1.

Sell it cheap

The continuing woes of Marks and Spencer, still widely regarded as the UK's leading retailer, plainly owe something to unforced errors of management. But they also point to a wider theme. Perhaps deflationary forces, in goods as opposed to services, are stronger in the UK than has yet been generally supposed. Perhaps, too, the power of the big oligopolistic retailers to resist those forces is breaking down.

In recent months, there has been a rising tide of public resentment in the UK against perceived over-charging. Why does meat still cost so much when British farmers are going out of business? Why do cars cost so much more than elsewhere in the EU? Why do travellers to New York find they pay the same dollars for clothes or food as they do pounds in London?

All those complaints have to do with physical products. The public is less disposed – so far, anyway – to complain about the cost of haircuts.

Hence an apparent anomaly: the fact that while most retailing stocks in London fell sharply yesterday, Dixons – the UK's dominant supplier of consumer electronics – has risen 16 per cent in just two days. This is mainly because Dixons announced on Tuesday that its new internet access service had signed up almost 1m customers in its first four months.

This illustrates a familiar theme: that inflation is a thing of the past in manufactured products, and is now confined to services. In the UK, this may owe something to transient effects such as sterling's strength. But it may reflect a more fundamental shift: that while the public will tolerate price increases for labour – as expressed by direct services – they expect to pay less for the other factors of production.

If so, this puts the traditional retail trade in something of a jam. For if selling prices are under pressure, costs are still rising briskly. Some of this reflects the price of labour, pushed up – in the UK, at any rate – by the advent of a minimum wage. But it also reflects the traditional urge of retailers to respond to pressure by opening yet more stores.

In the long run, the consequences of this could be profound. In the retailing world, e-commerce is still regarded as at worst a threat, at best an irritant. This is perfectly understandable, given that the big retailers have traditionally invested so much of their wealth and ingenuity in securing chunks of prime real estate.

In future, though, the internet and catalogue shopping may prove the natural way of beating the deflationary trend. It might seem odd to suggest that the future of retailing does not lie in big and hugely expensive superstores. But in all too many parts of manufacturing the future does not lie in big factories either, and for the same reason.

How immune is Wall Street?

Richard Waters explains why US investors and Corporate America seem to have taken bad news from Brazil in their stride

A sliding Brazilian real. A soaring yen. A new European currency that has vacillated in its search for a place in the international currency system.

It may only be the second week of 1999, but there has already been enough turbulence to suggest that this year may be no less bumpy than last in worldwide foreign exchange and securities markets.

And what has Wall Street's reaction to all of this been? To shrug off the latest vexing symptoms of a discordant world economy. Little seems to faze US investors. Latin America's largest economy devalues and the Dow Jones Industrial Average falls a modest 125 points – 1.3 per cent – that day. Rupert Murdoch says that internet stocks are overvalued but the Nasdaq Composite (which has many technology companies in it) falls less than the Dow.

The currency markets may be reflecting Asian recession and Latin American woes but US investors seem to have decided that the worst of the international crisis is already past.

If 1999 turns out to be another record year for US share prices, then history might well record that the tone was set almost before the year had begun. Why are US investors so bullish? And are their hopes justified?

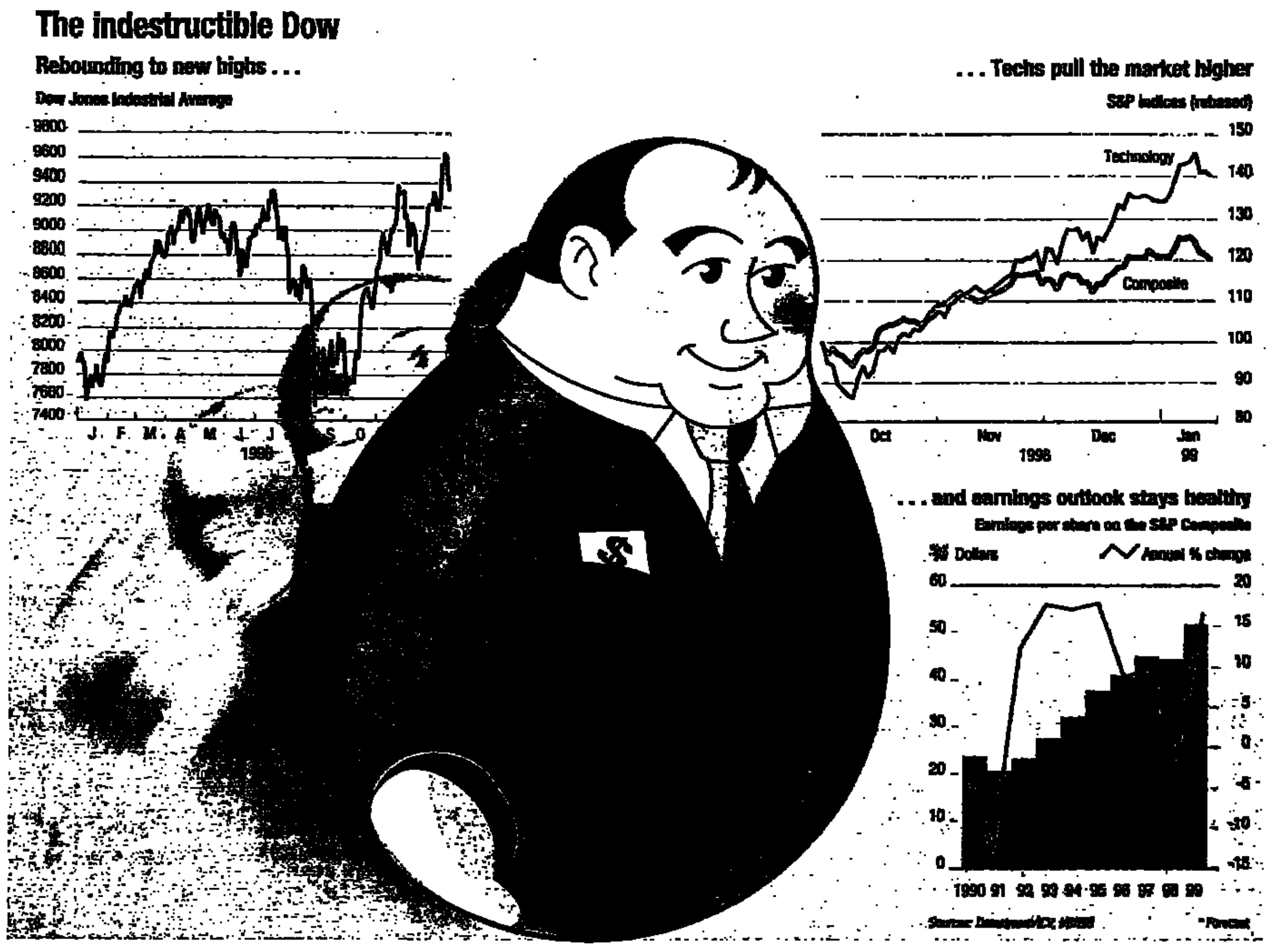
Behind their resilience lies an apparent belief that the US domestic economy, the strongest engine of world growth, will continue to whirl away regardless, much as it did last year. The very speed of the turnaround in stock market sentiment, after the first wave of panic triggered by Brazil's devaluation had passed, seemed to sum it up: Wall Street believes it has already looked into the abyss and it is not that scary.

That message has been brought home by the resilience of a group of stocks that has come to symbolise the latest leg of the greatest bull market the US has ever seen. Technology companies in general – and internet stocks in particular – staged one of their most spectacular rises in the first week of this year. Nasdaq rose 10 per cent in the first six trading days of the year. The rise of the internet may be responsible for the biggest bubble Wall Street has seen for some time, but it is a bubble that has proved remarkably tough to prick.

The past two weeks' turbulent events in financial markets have been "like a fast-forward video tape" of what happened last year, says Jack Malvey, director of fixed income research at Lehman Brothers. American stocks and corporate bonds rose strongly as soon as the year began, were presented with signs that the US economy was threatening to overheat again, and have now seen the flip side of the worsening situation in Asia and Latin America, all in the space of two weeks.

The stock market believes it has seen this video before, with no adverse side-effects.

The latest bout of volatility in world markets – particularly in Brazil – does raise fresh questions about Wall Street's equanimity, however. The feel-good mood is based on optimistic assumptions about the resilience of the US financial system, the outlook for the profits of American companies, and the stability of the domestic economy. While optimism about the financial system may be justified, worries about earnings and the US economy could grow as the year progresses.



Take the financial system. It certainly seems that the US financial architecture is less vulnerable to external shocks than it was after Russia's default last August.

The country's commercial banks, for instance, began to trim their exposure to Brazilian borrowers long before the International Monetary Fund's $41.5bn bail-out last autumn, and have continued since. Federal Reserve figures show commercial banks cut lending to Brazil by 25 per cent between last June and September. The unwillingness of private banks to take part in that bail-out may be one of the causes of Brazil's financial troubles, because it gave them no stake in the country's continued stability. However, it has also meant that the developed world's banking systems are better insulated from problems in emerging markets.

The bond markets, meanwhile, have shown no signs of drying up as they did after the Russian collapse. There has been no talk this week of a credit crunch. That is because Brazil's devaluation, despite surprise over its timing, was hardly a shock.

Yield spreads – the premiums that corporations, emerging market countries or others pay to borrow in the bond markets – have generally remained high since the autumn, anticipating further setbacks. And the hedge funds and investment banks that had over-extended themselves before the Russian collapse have drawn in their horns. "Liquidity is not a problem, dealers are in good shape," says Mr Malvey.

There is one important caveat to this. Wall Street seems to have decided that Brazil – unlike any emerging market nation before it – will be able to manage a controlled devaluation successfully. It may change its mind about this, of course, but at the moment, a financial implosion, followed by a broader Latin American crisis, is not reflected in the buoyancy of the markets.

If the financial system is in more robust shape, the same cannot be said for the earnings outlook of American companies. The immediate impact of this week's partial Brazilian devaluation may be limited, but it has raised the prospect of another round of emerging market woes for corporate America.

> **'The idea that the dollar will get weaker – and will bail out Corporate America – is not going to happen'**

The 8 per cent slide in Brazil's currency, the Real, has so far fallen comfortably within most companies' planning horizons. Take Colgate-Palmolive, which generated more than a quarter of its revenues and a third of its profits from Latin America in 1997. With the benefit of 70 years in the region, the company said: "We are used to this environment, and have managed through devaluations many times over the years."

According to Lynne Hyman, a consumer goods analyst at Credit Suisse First Boston, Colgate had planned for a 15 per cent devaluation this year, while Avon, which is also heavily reliant on the region, had expected 13 per cent.

Nonetheless, the economic contraction in emerging markets has hit some of America's best-known consumer goods companies hard, and a continuation of the financial contagion would make things worse.

Eastman Kodak, for instance, said yesterday that its sales volumes in emerging markets countries were 15 per cent lower in the last quarter of 1998 than they were a year before. Sales in Asia may now have bottomed, but Russia and Latin America will be a drag on revenue growth this year, Kodak said.

For such companies, there have been at least some bright spots in the shifting currency markets of late. The dollar's three-year climb, which came to an end last autumn, had eaten into the reported profits of a wide range of internationally active American companies, from pharmaceuticals groups to Coca-Cola. The "somewhat weaker" dollar now will be a factor in supporting earnings this year, says Harry Kavetas, Kodak's chief financial officer.

Any benefit may be limited, however. The fundamentals of a strong US economy and weakening Japan and Europe still point to a stronger dollar later this year, according to most currency strategists. "The idea that the dollar will get weaker – and that it will bail out Corporate America – is not going to happen," says Martin Barnes, an economist at Bank Credit Analyst.

If so, then the latest turn of the screw from Brazil will make this year look very much like the last one for US companies.

Its main components: surging demand but falling prices in the US against a backdrop of excess capacity in many tradeable goods; a further decline in earnings from abroad as the world economy slows; and another wave of painful restructuring. Kodak is entering the new year "the strongest we've ever been in the US", says Mr Kavetas – yet yesterday the company raised the bar on its cost-cutting efforts in an attempt to boost its flagging profit margins.

If that is the story for Corporate America at large this year, then Wall Street's projections for a rebound in earnings after the Asia-induced slowdown would prove wildly over-optimistic (see chart.)

There are warning signs in this for the US economy. These are also not new, though the Brazilian devaluation has brought them back to the fore.

American companies reacted to last autumn's brief financial crisis by slashing their hiring and investment plans – though the remarkable resuscitation of the bull market meant that the worst of the retrenchment never happened.

Every new turn of the screw, however, adds to the pressure. Another wave of corporate downsizing could threaten the consumer boom that has sustained the strong US economy, says Mr Barnes. A decline in capital spending would remove another of the strongest sources of domestic demand. And the spectre of another round of devaluations in the emerging markets raises the prospect of still greater pressure on American manufacturers and farmers, intensifying the recession already under way in those sectors of the economy.

Concerns like these have intruded on the stock market's wild party before. In October 1997, it was the first wave of fear prompted by the spreading Asian currency crisis. In October 1998, it was the panic over an unpredictable financial contagion triggered by Russia.

January 1999 has now brought another, paler echo of these events. And its present euphoric state, the stock market is clearly in no mood to pay it much heed.

OBSERVER

Jacques minds his back

Jacques Santer and his European Commission cohorts have had an uncomfortably close shave. But Santer's wobbly performance in the sanguinary spat with euro-parliamentarians all but rules out a second term. Euro-tongues are again wagging wildly over his successor.

The Luxembourg president of the Commission has barely a year left to serve in the most powerful unelected post in Europe; his successor is due to be chosen at the European Union summit in Cologne in June. Unofficial favourite is former Italian prime minister Romano Prodi; Nato secretary general Javier Solana is known to be interested and so is former Italian prime minister Giuliano Amato.

But the dark horse could be Dutch prime minister Wim Kok, a man widely admired in London for his blunt style, rigorous house-keeping and shrewd political instincts. Problem is, fellow Dutchman Wim Duisenberg already holds one big job at the European Central Bank. The interesting question is when – if at all – any of the unofficial candidates will declare their hand; or whether the succession will be settled behind closed doors among heads of government in Cologne. Most bet on secret horse-trading winning the day – in which case expect more battles with Parliament over the legitimacy and authority of the new Commission president and his team.

Dennis who?

Mixed news for Dennis Hastert, the new Republican Speaker of the US House of Representatives. An opinion poll taken this week in the land of opinion polls suggests he's already managed to do something neither of his ill-fated predecessors – Bob Livingston and Newt Gingrich – ever managed.

The good news is that more voters say they have a favourable impression of him than have a negative view. But the bad news is that those holding a favourable impression of him reached an impressive 4 per cent. Those with an unfavourable impression amounted to 3 per cent. As for the other 93 per cent of Americans, he hasn't actually registered with them at all.

Spot the Dog

They're barking mad. Folk at US-owned music channel MTV have hired a Dog Jockey for sister digital TV station M2. Dodger, a televisual cocker spaniel, is thought to be the first canine to get its own music show anywhere in the world. The mongrel is to present GRRRR, an hour-long programme for dogs broadcast across most of Europe every month. Videos apparently will be selected for their canine appeal and GRRRR will be broadcast in ultra-high frequencies so that the audience can tune in. Dodger tells Observer: "It's great that M2 is enfranchising the canine community." Give that dog a bone.

A van for Jan

Of all the issues certain to arouse passions among politicians, their own office accommodation comes close to the top. And the outcome of sporadic "office wars" often sheds light on who's in and who's out.

Jan Kulakowski, Poland's chief EU negotiator, has just found out where he stands in the pecking order. The one-time ambassador to Brussels has just fought and lost a campaign to stop his staff from being evicted from the prime minister's building in Warsaw's Aleje Ujazdowskie.

The decision, say detractors, speaks volumes about the priority the government attaches to the country's EU membership drive. Now Kulakowski's staff are being put into a building half a mile down the road once occupied by the Warsaw district communist party. There they'll find other displaced ministers, including those responsible for flood relief and family affairs. At least Kulakowski retains an office in the main government building where he can receive guests. His back office staff will have to make do with an uninspiring view of the British embassy.

Labour's peer

Green-fingered Baroness Young of Old Scone, who sits in Britain's upper House of Lords, likes to keep her feet on the ground. The Labour peer, who is also chairwoman of environmental organisation English Nature, brought proceedings to a standstill yesterday at a Newcastle conference on sewage, coastal controls and wildlife with a charming little insight into her private, environmentally sound habits.

Reminiscing about the carefree days of her childhood, she recalled visiting a granny who was unfortunate enough not to have an indoor lavatory: "We used to pee on the compost heap," the baroness explained.

But all those indulgent chuckles stuck in throats when she added: "It's a habit I've taken up again, much to the dismay of my neighbours."

The remainder of her remarks – something about her fight to start "nightsoil" collections around the leafy lanes of the English counties – were at once lost in a sea of quintessentially British embarrassment. But the Baroness is adamant and her quest, she insists, will continue. Observer simply doesn't know which way to look.

The Financial Times 50 years ago

Europe's Coal Needs
Geneva, Jan. 14. The United Nations Economic Commission for Europe has begun to tackle the problem of finding ways of using available qualities of European coal in place of those in short supply. This is a question of vital interest to European producers, including Britain, who are being left with increasing amounts of inferior-grade coals on their hands, as well as to Europe's importers, who are spending dollars for the better grades unobtainable in Europe in sufficient amounts. Progress towards European quantitative self-sufficiency in coal are well under way.

Peso To Be Devalued?
Buenos Aires, Jan. 14. It is expected here that a modification of the exchange value of the Argentine peso will be announced at the latest within a few days and possibly at the week-end. Rumours regarding the extent of the forthcoming devaluation, which have been prevalent in the past week, are now assuming a significant uniformity. The result of these persistent rumours has been that dealing in currencies on the black market has been most prevalent.

FINANCIAL TIMES

FRIDAY JANUARY 15 1999

THE LEX COLUMN

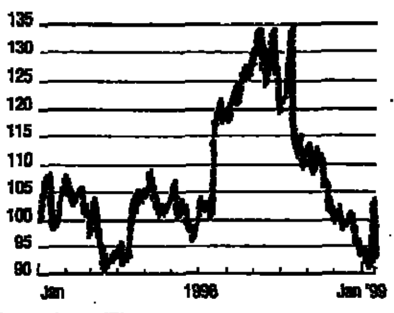
Touch and go

Six months ago Kodak was a clear recovery story. Now the picture is blurry again. The much-heralded cost cutting programme put in train by George Fisher, chairman, appears to be fizzling out. After garnering savings of $650m in the first three quarters of 1998 – well in excess of the $500m full-year target – the fourth quarter yielded only $80m and December none at all.

The company blames one-off factors, including bad debt provisions in emerging markets. And it has increased this year's cumulative cost savings target from $1bn to $1.2bn. But yesterday's 10 per cent drop in the shares suggests investors are more sceptical. Since Kodak's administrative expenses are still over 25 per cent of sales, twice the level of rival Xerox, there is clearly still fat to cut. The loss of momentum is therefore all the more worrying.

If lower costs fail to drive Kodak's recovery, what will? While its US market share has stabilised following Fuji's 1997 assault, this has been largely a result of Kodak slashing film prices in response – by 13 per cent in 1998. Even so, volume growth in western markets remains sluggish and Latin America's problems could undermine hopes of 10-20 per cent earnings growth this year. Much depends on how rapidly consumers warm to digital cameras, which is still unclear. At this point, Kodak's 40 per cent discount to the US stock market looks suitably cautious.

Eastman Kodak
Share price relative to the S&P Composite



Source: Datastream/ICV

Vodafone/AirTouch

Is Vodafone going too far? Not only is it considering sweetening its $55bn offer for AirTouch. It is also prepared to structure the deal in such a way that it would take a massive goodwill hit – meaning the new company would report losses for several years. The second issue is merely cosmetic as goodwill amortisation has no effect on cash flow. And, as such, grown-up investors *should* not be worried. The snag is that during the current merger boom so much effort has gone into avoiding goodwill charges that one suspects not all investors will be grown up.

Improving the largely share offer is another matter because this would reduce the cash flow available to Vodafone shareholders. On the face of it, Vodafone is already being generous enough. The current offer amounts to roughly a 50 per cent premium to AirTouch's pre-speculation market price.

The only justification for going even further is that AirTouch's shares were previously undervalued. It is always risky for managers to question the stock market's efficiency. But, in this case, AirTouch does seem to have been unnaturally cheap – at least relative to Vodafone. A month ago, Vodafone was trading on nearly twice AirTouch's cash-flow multiple. Not all of that discrepancy can be justified by the fact that AirTouch's US businesses are not growing as quickly as Vodafone's. Given the excellent strategic fit, Vodafone is probably right to up its offer – if that is needed to clinch the deal in the face of the hot competition from Bell Atlantic.

Marks and Spencer

How are the mighty fallen. The charge list against Marks and Spencer – whose profits this year will nearly halve – is a long one. It bought too much stock – about £250m worth – aggressively expanded floorspace at the wrong time and lost sight of what shoppers wanted. The appalling sales figures: a like-for-like sales decline of around 13 per cent over 15 weeks, is not the result of one huge bungle. It owes as much to complacency within M&S and keener competition from rivals such as Next.

The planned overhaul – including an integrated marketing department – sounds radical for M&S. But it needs some strong new people to push through the cultural revolution. Decision-making is to be more decentralised. But the dismantling of fiefdoms has to be brutal to avoid drawn-out turmoil. Meanwhile M&S has to woo back customers who must feel a buzz about new ranges – not easy when M&S's travails are splashed across newspapers.

To keep prices competitive, costs need to come down through more skilful sourcing. And M&S needs to address loss-making European markets, possibly getting out of the worst ones. Despite the gloom, the shares – on a forward price/earnings ratio of around 21 – are hardly bargain basement. But aggressive international retailers may note its market value has slipped below twice book value. St Michael's halo has slipped. The management should be on guard lest it disappear altogether.

Scania

For a company with almost a fifth of its sales in Latin America, Scania is proving surprisingly immune to the Brazilian crisis. Since December, the Swedish truck-maker's shares have jumped by about 25 per cent. Such is the power of merger mania. Valued at nearly €4bn, Scania is small enough to be vulnerable, especially as its shares remain just below the 1996 SKr180 flotation price.

But while it is easy to speculate about potential partners, the cyclical boom has removed much financial pressure to do a deal. And some truckmakers, such as Fiat and Volvo, are distracted by the mating dances of their car operations.

Scania's warning on Brazil, however, is a reminder of how quickly pressure can mount. The European truck-buying spree has probably peaked. A rapid slowdown would jeopardise Scania's profit margin recovery from teething troubles with its Series-4 truck. The question for Investor, which has 26.5 per cent, is whether to prompt Scania to negotiate now. The US is the obvious gap in its coverage, so a tie-up might be attractive with Navistar or Renault's Mack.

Investors should hope for some action, especially given the downside risks to the forecasts underpinning Scania's renewed premium rating.

Industry chiefs aim for self-regulation of internet

Governments 'should avoid taking on a policing role'

By John Authers in New York

A group of chief executives from a range of media and telecommunications companies yesterday launched an ambitious attempt to ensure that the internet is self-regulated on a global basis, rather than being left to national governments.

Thomas Middelhoff, chief executive of Bertelsmann, the German media group, said: "It will focus on industry-led, market-driven, self-regulatory proposals which encourage private investments in a competitive environment."

The newly formed "Global Business Dialogue on e-Commerce" includes more than 100 companies drawn from all continents. In its launch statement, at a conference yesterday in New York, it said: "Governments around the world should recognise the dangers that regulation of the internet would pose to their economies and societies."

Companies represented on the organisation's steering committee include America Online, International Business Machines, MCI WorldCom and Time Warner of the US, Bank of Tokyo-Mitsubishi, Fujitsu NEC and Toshiba of Japan, and ABN Amro, Bertelsmann, France Telecom, Marks & Spencer and Nokia from Europe. Other companies are involved in separate working groups. DaimlerChrysler will lead a group on consumer confidence.

The organisation will hold a series of conferences which, the executives hope, will form the basis for an ongoing dialogue among governments.

Privacy was identified as the single most important issue but other issues to be addressed include personal data, consumer confidence, liability, taxation and tariffs, jurisdiction, infrastructure, protection of intellectual property rights, and security. Organisers had ensured that executives from every continent were present at the launch.

Steve Case, AOL's chief executive, denied that political pressure was the main motive for the initiative. He said: "The reason we're here is that the internet has developed to a point that it's necessary for competitors to put aside some of their issues. We want to make sure that it has as valuable as possible a role in everyday life." He added: "The focus is shifting from technology which has driven it in the past few years, towards policy."

The executives also made clear that they thought regulations by national governments were inappropriate, as the internet was a global medium. Gerald Levin, chief executive of Time Warner, said: "We have a role to play in the shaping of public policy, and we are truly capable of rising above either narrow geographic issues." The executives added: "We look forward to taking up the challenge of actively shaping the policy framework for the internet of the next century."

Clinton accused of breaking inaugural oath as trial begins

By Gerard Baker and Mark Suzman in Washington

President Bill Clinton committed "egregious and criminal" acts in unlawfully covering up his affair with Monica Lewinsky, warranting his removal from office, his principal prosecutors told senators yesterday as the first impeachment trial of a US president in 131 years got under way.

Under the stern gaze of William Rehnquist, the US chief justice, Henry Hyde, the chairman of the House of Representatives' judiciary committee, told his audience of 100 senators their verdict in the case would determine for ever whether a sworn oath had any meaning in American life and law.

"In many ways the case you will consider is about . . . two words: 'I do'," Mr Hyde said, arguing that Mr Clinton had violated his oath to tell the truth in the Lewinsky case and his sworn pledge at his inauguration to uphold the laws of the US.

While the historic proceedings, broadcast on most television networks across America, were beginning, Mr Clinton studiously continued with his planned schedule. Aides told reporters he would not watch the trial on television. Instead, as the senators were told about his alleged crimes, he travelled to Alexandria, Virginia, for a crime prevention event before departing for New York to encourage Wall Street to invest more in minority interests.

In their first day of argument, House prosecutors made a forceful plea that they be allowed to call witnesses. James Sensenbrenner, who followed Mr Hyde's introductory remarks, said witnesses were essential to show that Mr Clinton committed perjury and obstructed justice.

Before the proceedings began, Mr Hyde suggested for the first time that he might ask the Senate to call on Mr Clinton to testify at the trial. But Joe Lockhart, the president's spokesman, said it was completely inappropriate for Mr Hyde to try to influence the Senate by making such comments. He insisted that Mr Clinton had already made a full statement on the issue during his grand jury testimony.

Mr Lockhart also criticised revelations that members of the judiciary committee had already made contact with Ms Lewinsky and other potential witnesses to try to talk about what their testimony might involve, saying they were "subverting" the impeachment proceedings.

Under the compromise format for the trial agreed last week by both parties, the decision whether to call witnesses will be made only after each side has wrapped up its opening arguments. Several Republican senators have been talking to House managers over how to handle the question of which witnesses to call. The House is expected to complete its preliminary case by Monday, with the White House due to begin its rebuttal on Tuesday. However, with Mr Clinton scheduled to present his state of the union address to both houses of Congress that night, it is possible his lawyers will delay their response until Wednesday.

Republicans in turmoil, Page 7

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Takeshi Noda, left, smiles after being appointed Japan's home affairs minister by prime minister Keizo Obuchi, right. Page 6 Reuters

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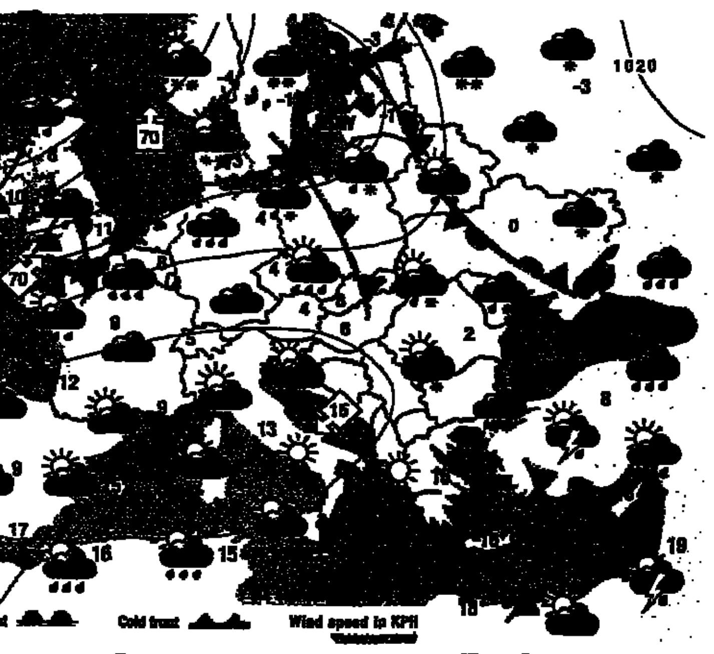
FT WEATHER GUIDE

Europe today

North-western Europe will remain unsettled with strong winds and rain. Scandinavia and the Baltic states will be cold with snow moving north-east. Central Europe will have showers. Poland will have sleet and snow pushing eastwards, while wintry showers will affect the mountains of Romania and Yugoslavia. The Mediterranean will be very settled with high pressure persisting to give some sunshine. However, parts of Turkey, Cyprus and Malta will have thundery showers.

Five-day forecast

North-western parts will stay unsettled and windy with rain. The western Mediterranean will become less settled as a cold front pushes southwards during the weekend. The eastern Mediterranean will turn colder while eastern Europe will become more settled. Scandinavia and the north-east will stay wintry.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	27
Accra	Fair	32
Algiers	Shower	16
Amsterdam	Rain	9
Athens	Sun	15
Atlanta	Sun	9
B. Aires	Fair	26
B.ham	Rain	10
Bangkok	Sun	30
Barcelona	Sun	12
Beijing	Sun	-1
Belfast	Rain	9
Belgrade	Fair	7
Berlin	Rain	4
Bermuda	Shower	23
Bogota	Fair	18
Bombay	Sun	31
Brussels	Rain	8
Budapest	Fair	6
C.hagen	Rain	3
Cairo	Sun	19
Caracas	Fair	29
Cardiff	Rain	10
Casablanca	Fair	17
Chicago	Sun	-3
Cologne	Cloudy	8
Dakar	Fair	23
Dallas	Sun	16
Delhi	Fair	18
Dubai	Fair	27
Dublin	Rain	10
Dubrovnik	Sun	12
Edinburgh	Rain	8
Faro	Sun	15
Frankfurt	Cloudy	7
Geneva	Fair	5
Gibraltar	Sun	16
Glasgow	Rain	7
Hamburg	Rain	8
Helsinki	Snow	-3
Hong Kong	Rain	12
Honolulu	Sun	28
Istanbul	Fair	8
Jakarta	Shower	31
Jersey	Rain	10
Johannesburg	Cloudy	27
Karachi	Sun	27
Kuwait	Shower	19
L. Angeles	Fair	23
Las Palmas	Fair	20
Lima	Fair	25
Lisbon	Sun	13
London	Rain	11
Lux.bourg	Drzl	4
Lyon	Fair	5
Madeira	Cloudy	18
Madrid	Fair	8
Majorca	Fair	15
Malta	Thunder	15
Manchester	Rain	11
Manila	Thunder	30
Melbourne	Sun	34
Mexico City	Sun	22
Miami	Thunder	26
Milan	Fair	7
Montreal	Snow	-2
Moscow	Snow	-3
Munich	Fair	6
Nairobi	Fair	27
Naples	Sun	14
Nassau	Sun	25
New York	Rain	6
Nice	Fair	9
Nicosia	Fair	18
Oslo	Sleet	-4
Paris	Cloudy	8
Perth	Sun	28
Prague	Cloudy	4
Rangoon	Sun	33
Reykjavik	Snow	-3
Rio	Fair	31
Rome	Sun	13
S. Frsco	Fair	15
Seoul	Fair	1
Singapore	Cloudy	31
Stockholm	Cloudy	-1
Strasbourg	Cloudy	6
Sydney	Fair	26
Tangier	Fair	18
Tel Aviv	Fair	19
Tokyo	Sun	9
Toronto	Snow	-1
Vancouver	Rain	7
Venice	Sun	5
Vienna	Fair	8
Warsaw	Sleet	2
Washington	Rain	5
Wellington	Shower	20
Winnipeg	Snow	-4
Zurich	Fair	4

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MARKET STATISTICS

Vodafone may raise AirTouch bid

$55bn offer could be improved and structured as acquisition

By Daniel Bögler and William Lewis in New York and Alan Cane in London

Vodafone, the UK-based wireless carrier, is considering improving its $55bn offer for AirTouch, the US cellular operator, and structuring the deal as an acquisition rather than a merger.

According to people close to the company, UK investors are this week being sounded out about their support for the moves following indications that Bell Atlantic, the US telecoms group, has raised its original $45bn offer for AirTouch.

Vodafone, Bell Atlantic and AirTouch all declined to comment yesterday. The moves by Vodafone and Bell Atlantic, however, indicate that the bidding war for AirTouch is about to enter its most intense stage.

AirTouch is one of the US's biggest independent wireless telephone operators, and would give Vodafone and Bell Atlantic immediate access to the fast-growing US mobile communications market.

Earlier this month, it emerged that Bell Atlantic had offered approximately $45bn for AirTouch. The disclosure led to Vodafone making a $55bn offer.

Since, both companies have been holding talks with AirTouch. Vodafone had hoped to structure its AirTouch offer under UK merger accounting rules.

This would mean that the UK company would have been able to avoid taking charges against its earnings to amortise the price it paid above book value – goodwill – for the merger with AirTouch.

However, people close to Vodafone say they are preparing investors for the deal to be structured as an acquisition.

This would enable the UK group to raise its offer of approximately $90 a share in stock and $4 to $6 per share in cash.

Those close to the company were keen to stress that the deal would still be a merger from a "business perspective", with Sam Ginn, AirTouch's chief executive officer, and other executives being offered senior positions in the newly enlarged Vodafone.

Although structuring the deal as an acquisition would substantially dilute Vodafone's reported earnings in the short term, people close to the company are convinced that Vodafone's investors will focus on the benefits the deal would bring to cash flow.

Structuring the deal as an acquisition should also give Vodafone more flexibility in selling off AirTouch assets. Vodafone's original $55bn merger offer was the largest unsolicited bid of all time, and previous large scale deals structured as takeovers have not performed well.

Yesterday Vodafone's share price rose 12p to £10.51½, mainly on the back of positive analysts' notes. Dresdner Kleinwort Benson and BT Alex.Brown, the investment banks, raised their price target for Vodafone to £15 on the assumption that it will complete the AirTouch deal.

At lunchtime in New York yesterday AirTouch's stock price was up $$\frac{13}{16}$$ at 78\frac{1}{16}$. Bell Atlantic's stock price stood at $54, down $$\frac{13}{16}$$.

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Scania fears for Latin American markets

By Tim Burt in Stockholm

Scania, the Swedish heavy truck manufacturer, is warning that market conditions in Latin America are likely to deteriorate following a sharp drop in sales and the possible fall-out from Brazil's devaluation this week.

The company, which relies on Brazil as its single largest market, is the first truck manufacturer to issue a warning about sales prospects in the region.

Leif Ostling, Scania's chief executive, said: "We will continue to suffer from a bad market [in Latin America] this year. That increases the pressure to de-cost our organisation."

Industry analysts expect Scania to report a SKr600m ($77m) loss on its Latin American operations for 1998 after seeing truck sales in Brazil fall by 21 per cent in the first nine months of the year.

Nevertheless, Mr Ostling said he hoped to achieve a break-even on Scania's Latin American operations during 1999 following heavy restructuring, involving the loss of almost 500 jobs, or 13 per cent of the workforce.

The company has significant production operations and sales in Argentina as well as Brazil.

Speaking before today's international truck show in Brussels, Mr Ostling also emphasised that weakness in Latin America would be offset by increased sales in western Europe, where truck registrations have climbed steeply over the past 12 months.

Record sales in Europe are expected to lift Scania's full-year operating profits from SKr3.05bn to SKr3.5bn for 1998.

Mr Ostling indicated that Scania could capture more of that market by moving into medium-size trucks for the first time.

He said the group was close to finalising a decision on whether to produce a 12-16 tonne version of its flagship Series-4 heavy truck.

Scania has been investigating a move into medium-size trucks for several months after abandoning informal joint venture talks with Volkswagen of Germany about co-operating in that sector.

Unlike other truckmakers – such as Volvo, its Swedish arch-rival – Scania had avoided the medium truck sector, believing it should concentrate its expertise in heavy trucks, where it achieved market-leading profitability for many years. Even if Scania proceeds with the proposal, it is expected to produce no more than 3,000 such trucks a year.

The chief executive emphasised that such projects enjoyed greater priority than a more fundamental restructuring of Scania involving mergers and acquisitions. He played down the prospect of any large acquisitions, particularly in the US, and predicted the world's largest automotive groups were keener on deals in cars than in trucks.

Scania, controlled by Investor, the main vehicle of Sweden's Wallenberg business empire, has been named as a possible bid target in the restructuring of the auto industry.

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Thyssen suffers fall in sales

Blow for German steel producer's forthcoming merger with Krupp

By Uta Harnischfeger in Frankfurt

Thyssen, the German industrial group, yesterday damped investors' expectations for its forthcoming merger with Krupp when it reported a drop in first-quarter sales and orders because of falling steel prices and weakening industrial demand.

Between October and December, Thyssen's incoming orders fell 13 per cent to DM9.6bn ($5.74bn, €4.9bn) from DM11bn and group sales were down 6 per cent to DM9.9bn compared with DM10.6bn in the previous quarter. The decline was due partly to disposals at Thyssen's trading unit, which reduced sales.

Thyssen described the current environment "as certainly not optimal ... as the global economy is losing momentum."

In the fiscal year ended September 31, Thyssen could still profit from the successful 1997-98 steel year. But when rising import competition and emerging markets' crises started to put pressure on steel prices last summer, it was clear that Thyssen's first-quarter result would suffer.

"Given Thyssen's cyclical nature, it is only natural that it would be affected by the falling steel prices," said Michael Riedel, steel analyst at Bankgesellschaft Berlin.

In the first quarter alone, steel sales were down 10 per cent and steel production fell 22 per cent, Thyssen said, although orders from the automotive industry compensated for some of these losses.

Mr Riedel and other analysts were disappointed that Thyssen and the steel and engineering group Krupp, whose merger is scheduled for March 1, did not provide combined pro-forma figures for their first quarter. Neither did Krupp provide any of its own figures for the October-to-December period.

Analysts had been keen to see a first set of joint numbers in order to update estimates for the group's future earnings potential, especially as the merger will be deemed retroactive from last October.

Instead, Krupp and Thyssen merely provided earnings per share figures for their year ended September 31, for which they already reported full results at the end of last year.

Thyssen reported earnings per share of DM56, up from DM28 in 1997, while Krupp said it earned DM26 a share in its shortened fiscal year, up from DM25 in its full 1997 year. Krupp shortened its 1998 year in line with Thyssen.

Though Thyssen-Krupp's fortunes will remain closely tied to that of steel,its increasing focus on industrial services and technical materials will make it less vulnerable. However, steel inventories have started to decline and there are signs that global cuts in production are bearing fruit.

Ekkehard Schulz, Thyssen chairman, said yesterday he expected steel prices to start rising by summer.

Thyssen chairman Ekkehard Schulz, left, with Krupp's Gerhard Cromme

Chinese net groups plan listing overseas

By James Kynge in Beijing

Two of China's leading internet companies plan to list on overseas stockmarkets, providing retail investors with their first opportunity to venture into one of cyberspace's most promising but perilous frontiers.

Internet subscribers in the world's most populous nation doubled in the second six months of last year to an officially estimated 2.1m. But problems facing the sector include a relatively weak domestic advertising market, the embryonic state of e-commerce and the risk that the nation's communist leaders could clamp down on the net if the political climate changed.

Sohu, the country's top portal company and leading internet brand name, plans to seek a listing on Nasdaq or Hong Kong's second board in 2000, said Charles Zhang, chief executive officer. In a similar move, Stone Rich Sight, one of Sohu's chief competitors, is planning to list on Nasdaq in the third quarter of this year.

Sohu, which began operations 11 months ago, was set to "break even" in its first year, Mr Zhang said.

He said the company was still open to investments until its planned initial public offering and was in talks with some companies but refused to disclose further details. The company, which is registered in China, would be listed as the main part of its parent, the US-registered ITC.

Sohu's shareholders already include Intel, the US computer chip company, Dow Jones, the US media group, and Nicholas Negroponte, director of the media lab at MIT. Mr Zhang did not say how much the company was looking to raise.

Stone Rich recently merged with Sina Media Corp, a Taiwanese internet portal registered in the US. As the merged company, Sina Inc, is registered in the Cayman Islands it does not need approval for a foreign listing from China's stock market regulatory body.

Sina plans to use the proceeds from its planned IPO to expand into markets where there may be a demand for Chinese-language internet services such as Hong Kong, Singapore and the US. But it plans to maintain its focus on the mainland China market.

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Brazilian crisis casts cloud over telecom auctions

By John Barham in São Paulo

The deteriorating business environment in Brazil is set to be underscored today when only two foreign-led consortia will present bids at an auction for four telecommunications franchises.

One group, led by Sprint of the US, is submitting the only bid for the right to set up and operate the new parallel, or "mirror" network to compete with the existing long-distance company, privatised in July.

The second group, headed by Qualcomm of San Diego and Bell Canada International, will enter the only bid to create and run the mirror network covering Rio de Janeiro and the north and east of Brazil.

The government received no applications for the mirror networks covering the prosperous south and west of Brazil. The sole consortium planning to bid for the São Paulo mirror pulled out just before the December application deadline. By contrast there was heavy bidding for the Telebràs telephone network, sold last July for R$22.06bn (then worth $18.92bn).

Wednesday's 8.3 per cent devaluation of the Real has worsened the outlook for other big ticket privatisations in the oil, electricity, water and sewage and banking industries planned for this year.

The government expected to raise about $20bn from these sales. Now it may have to accept either lower prices or postpone privatisations to next year, damaging its delicate 1999 budget calculations. Banco BBA, the local arm of Austria's Creditanstalt, expects federal and state governments will now receive about $13.69bn.

Brasília still hopes to attract fresh bids for the São Paulo and southwestern mirror concession at a second auction in March. However, a telecoms analyst at a big European investment bank said: "Bidders have to make a proposal by February 5. Although this is a long-term, strategic decision that does not depend much on [financial] markets, people wait to see if the exchange rate will hold."

Another analyst said the government might have to delay to next year its sale of 31.7 per cent of ordinary shares and 9.2 per cent of preferred shares in Petrobràs, the national oil company. He said: "Devaluation has improved the company's competitive position, but I am not sure the [sale] can go ahead in 1999. Devaluation has created great uncertainties. It has become more difficult to interest investors in a country that may devalue again."

He added that the sale, which was expected to raise about $3.5-4bn, still requires legislation in congress.

The turbulence has cast a shadow over the federal government's plan to sell 51 per cent of ordinary stock in Banespa, the former state bank of São Paulo, by June. Its market capitalisation has fallen to $1.0bn from $1.68bn.

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INTERNET ONLINE INVESTORS COMPLAIN OF LONG DELAYS ON BUSIEST DAYS

Market turmoil highlights web trade problem

By John Labate in New York

The volatile share trading that hit US markets on Wednesday highlighted the problems that internet-based trading companies face, as well as the opportunities the largest of them are likely to exploit, industry analysts said yesterday.

Active online investors, known as day traders, are the stock market's recent high-growth sector, with an explosion of internet-based stock trading in recent months. But many online traders complain of long delays when executing trades on the busiest days, situations that can mean considerable losses in the market's most volatile stocks. The problem of increasing service levels to online traders is the leading problem facing the business of internet trading.

"Without a doubt this creates opportunities for these companies to offer guaranteed service levels and build their capacity, and to do it now," said Michael Gazala, money and technology analyst at Forrester Research.

Such guarantees are a long way off. For the largest online brokers, the problem is being addressed by adding ever-greater capacity to handle the increase in trading volume and online traffic on heavy stock trading days such as Wednesdays, when customers need quick access to their portfolios.

Charles Schwab, for instance, more than doubled the number of computer servers that handle its online traffic between March and December of last year to 100. But the number will continue to rise. Last Friday Schwab reported a record 55m hits to its website, a situation that caused a 15-minute outage in its service, its first breakdown for several months.

Schwab has also been one of the leaders in service, trying to channel traffic through its telephone operations and regional offices when online customers face delays. But such upgrades are in their early stages.

The most sophisticated online investors have managed to find ways round trading and access delays, including having multiple online accounts when one system is down. For many, the problems require them to remain with a traditional broker as well.

"If you are an aggressive day trader, you have to have a full-service broker who will pick up the phone on the second ring while there's gridlock on the online system," said Fane Lozman who runs Scanshift, a maker of electronic quote software.

AirTouch European assets offer Vodafone rich pickings

Network stretches from Poland to Portugal, says **Alan Cane**

These are the days, if the pun may be forgiven, of phoney war in the bid battle between Bell Atlantic of the US and Vodafone of the UK for AirTouch, the US-based cellular operator.

After more than 10 days of frantic backstage activity, neither suitor has made its bid public. Their target has shown no sign of favouring one over the other and indeed has made no public response apart from acknowledging their interest.

All of which suggests that all three bidders – and any others waiting in the wings – are biding their time and revising their options.

Vodafone makes no secret of the fact that its chief interest in the deal lies in adding AirTouch's extensive European assets to its own to create a company capable of transmitting a call from eastern Poland to southern Portugal without the need to connect with another operator's network. It has indicated, however, that it would retain AirTouch's US operations.

Bell Atlantic's chief interest is in developing its US footprint, linking its east coast infrastructure to AirTouch's west coast presence. It is thought to be genuinely undecided what to do with AirTouch's European assets, should it win the bidding war. Andrew Beale, telecoms analyst with BT Alex.Brown in London, however, believes that whichever company wins will retain all the AirTouch properties.

This view, however, begs the questions: what is the quality of AirTouch's investments in Europe and how would its two suitors exploit them?

Some argue that the value of AirTouch's European assets is in doubt. Out of eight mobile investments, it has a majority stake in only two, raising questions about management influence and control. It holds, for example only 35 per cent of Mannesmann Mobilfunk whose German D2 network is the jewel in its European crown. It has just over 20 per cent of Omnitel-Pronto Italia, the fast growing Italian network and Airtel Movil, the second Spanish mobile operator.

John Tysoe, cellular analyst with Société Générale Strauss Turnbull, argues that stakeholding is less important than strategy and that AirTouch's approach has been impeccable.

In each of its investments it has been been prepared to concede every board position with the exception of technology director and marketing director: "In that way it had control over the design of the network and over the decisions about how it was to be sold."

Coupled with the power of veto and shareholder approval, AirTouch has been able to exercise considerable control over its investments despite lack of majority shareholding.

Mannesmann Mobilfunk, for example, the D2 network, is regarded as one of the best cellular operators, chiefly because of AirTouch's technical and marketing skills. Germany is the only country where AirTouch and Vodafone compete at present. Vodafone has a 17 per cent stake in the unprofitable E-Plus network. In the case of a Vodafone victory, it would be logical to retain the profitable D2, whose results could be consolidated, and dispose of the unprofitable E-Plus.

A merger between Vodafone and AirTouch would bring more than the integration of high quality assets. The combined company would be able to offer lowest pan-European rates to business on its own network, benefit from customers "roaming" across national boundaries and put pressure on manufacturers to benefit first from the latest technologies.

Could Bell Atlantic derive similar benefits from Europe? Its own assets are a mixed-bag of opportunist acquisitions which add little to the AirTouch portfolio. The most significant is a 20 per cent stake in the Italian Omnitel.

So, there are comparatively few synergies and the portfolio would have to be run as a separate division.

Some analysts point out that the US regional operator is struggling to complete the acquisition of Nynex and of GTE while seeking to enter the US long distance market in competition with AT&T, Sprint and MCI WorldCom.

A number of possibilities exist. Bell Atlantic could, indeed, retain and run the AirTouch investments in their present form as its international division; or it could dispose of them to a third party, Vodafone perhaps, leaving it free to concentrate on the US market.

Mr Beale of BT Alex.Brown says, however, that such disposals look simple in principle but can hit financial and legal obstacles because of the difference in business practices between the US and Europe.

Services arm helps Unisys back to profit

By Louise Kehoe in San Francisco

Unisys, the troubled US computer and services group, yesterday reported its first full year of profitability since 1993, with growth in its services operations fuelling the turnround.

The company also reported higher-than-expected earnings for the fourth quarter and said it saw further improvements in 1999.

Net income for the quarter, after dividends on preferred stock, was $112m, or 42 cents a share. Wall Street had been forecasting earnings of 40 cents a share.

In the same period a year ago Unisys recorded a net loss of $992.3m, or $4.75 a share, after charges. Excluding the charges, year-earlier profits were $86.9m, or 25 cents a share. Revenues for the quarter were up 8 per cent at $2.05bn.

The quarter topped a year of improvement during which Unisys share price more than doubled. In mid-session yesterday the shares were trading at $34⅞, up $1 and close to a 12 month high of $35.37 achieved in late December.

For the full year, Unisys reported revenues of $7.2bn, up from $6.6bn.

Net income for 1998 was $387m, or $1.06 a share, against a loss of $853.6m, or $5.30 a share, in 1997.

Unisys is transforming itself from a traditional mainframe computer company, with proprietary technology, into a group dominated by information services.

Larry Weinbach, chairman and chief executive, who joined Unisys in September 1997, said services would be the key to Unisys future growth. "That is where the value-added lies," he said.

Services now represent about 67 per cent of Unisys' revenues, up from 59 per cent two years ago. The trend will continue, with services growing to about 75 per cent, Mr Weinbach predicted.

Information services revenues increased 15 per cent in the fourth quarter and orders also showed strong gains over year-ago levels.

Unisys' second services unit, which includes maintenance and networking services, increased revenues by 6 per cent in the fourth quarter. Growth in the networking segment more than offset a continued decline in traditional maintenance revenue.

In computer systems, revenues increased 3 per cent in the fourth quarter as growth in sales of Unisys' large-scale servers offset anticipated declines in personal computer sales.

Total debt at the end of the year was $1.2bn, down from $2.3bn in September 1997.

Motorola sees sales recovering

By Nikki Tait in Chicago

Motorola, the US wireless communications and semiconductor manufacturer, told analysts yesterday that it expected worldwide sales in the semiconductor industry to increase by 7-9 per cent in the current calendar year, after an estimated 9 per cent fall in 1998.

But Robert Growney, chief operating officer, stressed that Motorola "still had some concerns on the semiconductor recovery", and that this was a reason for some caution over prospects for 1999. "We have seen some good performances, but we have also seen in the past that false signs can occur," he said.

Motorola, which reported better-than-expected earnings for the fourth quarter of 1998 on Wednesday, said rationalisation of its own semiconductor division was proceeding, with four large sites closed in the US and the Philippines, and the number of "active parts" reduced by 20 per cent from the peak level by end-1998.

In the final three months of 1998, the semiconductor division's sales rose 7 per cent over the third quarter, but the company warned the level would decline slightly in the first quarter in line with seasonal trends. Nevertheless, it suggested the division, which made a pre-tax operating loss of $1.22bn (including restructuring charges) last year, could be "close to break-even" by the second quarter.

Mr Growney also revealed the company would take a $15m charge in the first quarter as a result of the Brazilian upheavals, and said this, too, could be a reason for caution in the months ahead, especially if the turmoil affected "growth opportunities" in Latin America generally.

However, helped by "good forward momentum" on cost-savings, which are now estimated to take out about $1bn year-on-year by mid-1999, he said that Motorola was comfortable with analysts' first-quarter expectations. These average around $7.1bn for revenue, and 23 cents for earnings per share.

Motorola shares, which had climbed fairly strongly ahead of the 1998 earnings announcement, slipped $1⅞ to $69 yesterday. On Wednesday, the company said it made an after-tax profit of $159m in the fourth quarter on sales of $8.28bn.

True North files $60m legal claim

By Nikki Tait in Chicago

True North, the US advertising agency, yesterday filed a lawsuit against the French Publicis group, claiming more than $60m in damages.

True North said the suit, filed in the London Court of Arbitration, flowed from the recent merger between Publicis Communications and Publicis, the holding company. As a result of the deal, True North received an 8.8 per cent stake in Publicis SA, having held a 26.5 per cent interest in the Publicis Communications. The US company claims this is an "inadequate exchange".

Oracle to fund hi-tech start-ups

By Roger Taylor in San Francisco

Oracle, the leading software company, yesterday fell into line with the high-tech industry's latest fashion and set up a $100m venture capital fund.

Leading firms such as Intel, the chip manufacturer, Lucent Technologies, the networking firm and Microsoft, are putting millions into start-up companies.

Oracle said its fund would back ventures that were developing products and services using its Oracle 8i database software. The fund will help Oracle promote its vision of corporate IT systems which are less dependent on desktop PCs and run over corporate networks and the internet.

The company believes its 8i database program provides a better foundation for such systems than the Microsoft Windows operating system used on most desktop PCs.

Not all high-tech firms use their venture capital funds to promote directly their own products. Many find venture capital investments a good way to keep in touch with new technologies.

Intel uses its funds to promote developments that are likely to increase demand for more powerful computers and hence, for its computer chips.

COMPANIES & FINANCE: INTERNATIONAL

BRAZILIAN TURMOIL DEALS AND COSTS ARE REVIEWED AS COMPANIES AND GOVERNMENTS EXAMINE AND RE-EVALUATE EXPOSURE TO ECONOMY

Argentina to go ahead with sale of YPF

By Ken Warn in Buenos Aires

Argentina is trying to push ahead with next week's sale of a 14.99 per cent stake in energy group YPF, aimed at raising more than $2bn, in spite of the market turmoil unleashed by the Brazilian devaluation.

The government said yesterday it had not lowered the $38 a share minimum price set for the sale, and was hoping to stick to the original timetable. Several international energy companies have expressed interest, including Repsol of Spain and the UK's BP Amoco.

Although the government was continuing to monitor the situation, "we have seen no signs of potential buyers withdrawing", said Pablo Guidotti, deputy economy minister. YPF shares fell below $27 in afternoon trading yesterday.

The government also hopes to continue with the partial privatisation of Banco Hipotecario Nacional, the state mortgage bank, through a public offering. Final offers for up to 40 per cent of the bank are due on January 25. Banco Hipotecario is Argentina's eighth-biggest bank with assets of $4.5bn. It has a 37 per cent share of the mortgage market.

However, Argentina has already had to freeze plans for a global bond issue of $1bn or more as a result of the Brazilian crisis. For several weeks officials have been in talks with international banks over the issue, set for either the euro or dollar market.

"Borrowing costs have risen with the current volatility, so we have decided to wait until it subsides," said Mr Guidotti. Argentina already had sufficient financing to allow it to stay out of the international capital markets until the end of the first half-year, in the unlikely event that market conditions did not improve, he added.

However, failure to sell the YPF stake, combined with prolonged lack of access to international borrowing, could force Argentina to draw down part of its $2.8bn extended fund facility with the International Monetary Fund, which the authorities have previously been reluctant to do.

The YPF sale is pitched at a single "strategic" buyer, a long-term investor unlikely to be deterred by short-term volatility, the government maintains.

Even before the Brazilian crisis, analysts believed a buyer would be reluctant to pay a large premium for the 14.99 per cent stake unless it believed it could later secure control of YPF.

Domestic price rises loom on horizon

By John Barham in São Paulo

Brazil's forced devaluation of its currency by 8.3 per cent on Wednesday has changed the corporate scene in Brazil profoundly. After five years of price stability, companies are daring to consider price rises. Gazeta Mercantil, Brazil's leading business newspaper commented: "Talking about price increases is no longer a taboo."

Danilo Palmer, investor relations director at Brahma, the country's biggest brewer, said the company was planning to increase prices by 2-3 per cent. "We have no other choice," he said. Like many companies, Brahma is already operating with tight profit margins due to increased competition from local and imported products, plus a rising tax burden.

Volkswagen, the country's biggest car-maker, has already announced a 1.5 per cent price rise to cover part of a tax increase. This is in spite of a sharp fall in domestic sales and a reduction in VW's market share.

Anselmo Louzada, partner at the São Paulo office of auditors and consultants KPMG, said devaluation had now created some room for companies to raise prices, by choking off rising import competition. Imports rose 14 per cent to 345,000 vehicles last year, while domestic production slipped 24 per cent to 1.573m units.

Still, Roberto Ferro, a car industry expert at the Fundação Getulio Vargas business school, says heavy foreign investment has changed the industry: "Mercedes Benz is opening a factory next month to produce its A series. Volkswagen is opening a factory to produce Audis on Monday. The Brazilian market has become much more competitive than it was four years ago." Ford and General Motors are both building new plants in the south at a cost of $1bn each.

These investments were designed to serve a growing local market, where only one in 10 Brazilians owns a car.

Companies must now swiftly change plan by increasing exports, preferably to western Europe and North America. This will not be easy, given excess international capacity.

Mauricio Botelho, who runs the privatised aircraft manufacturer Embraer, said: "A company like ours that imports and sells in dollars is hedged automatically. Fortunately we can also benefit from lower local costs." However, part of this gain will be offset by rising financial costs as Brazil's political risk increases. Embraer's tax burden is also set to rise.

Although analysts say companies are still weighing their options on prices, the payback period on large investments by local and foreign companies has now become much longer than originally envisaged. Brazil received almost $20bn in foreign investments last year.

Banco Santander stands firm on Latin America

By Tom Burns in Madrid

Banco Santander, the Spanish banking group, yesterday dismissed suggestions it would lower its profile in Latin America in the wake of Brazil's financial crisis.

Ana Patricia Botín, Santander executive vice-chairman, said the group had completed a three-month programme to streamline its investment and corporate banking divisions and would focus on efficiency gains in Latin America, where it operates subsidiary retail banking units.

The group expects the costs of its wholesale banking business to fall this year by 25 per cent, implying savings of more than $156m. The programme included the relocation of most of Santander's treasury and fixed income operations to Madrid from London and New York, and the loss of 550 jobs in London, New York and Asia.

"We will be doing more, not less, wholesale banking but it will be conducted at source by the regional centres with New York acting as a support centre," Ms Botín said.

Santander is understood to be drawing up a streamlining strategy for its retail units, with emphasis on Latin America, where regional units accounted for 22 per cent of group profits in the first nine months of last year. A package of measures may be announced at the bank's annual general meeting in March.

However, Ms Botín denied the group would scale back its Latin American retail business. "We have a unique banking franchise in Latin America and we have every intention of expanding it through organic growth," she said.

In an effort to improve the cost-income ratio of its Latin American units, Santander last year reduced its payroll in the region by 6,000 to fewer than 40,000 despite increasing the number of branches, and enforced a restrictive credit policy. "We still have very important efficiency possibilities in our Latin America banks," Ms Botín said.

In Brazil, the group reduced its employees by 11 per cent to 6,824 in the first nine months of last year and raised the number of its branches over the period from 144 to 175.

The loan portfolio of Santander's Brazilian unit fell 24.4 per cent over the period to $3.2bn while deposits grew 10.4 per cent to $3.4bn.

NEWS DIGEST

POLAND

Publisher plans to raise funds through offering

Agora, one of Poland's most successful private publishing companies, is planning a public offering next month to raise funds for investments in printing and telecommunications facilities, and to pay off debts. The group will offer up to 9m shares, most of which will be available to foreign investors in the form of Global Depositary Receipts. A further 2.3m shares will be sold to employees and 1.4m are to be placed privately. The price and the amount of available stock will be announced two days before the sale opens on February 25. CSFB is advising Agora.

Agora reported net profit of 74.1m zlotys ($21.36m) on revenues of 416m zlotys in 1997, while net profit for the first half of last year was 15m zlotys on revenues of 262m zlotys. **Christopher Bobinski, Warsaw**

SPAIN

Banco Popular advances

Banco Popular, the smallest of Spain's top five banks, lifted 1998 attributable net earnings by 2.7 per cent to Pta67.7bn (€406m, $476m), a figure below forecasts and compared with an 8 per cent year-on-year rise in 1997 when the bank posted net profits of Pta65.9bn.

The most capitalised of Spain's banks and an active lender in the past on the interbank market, Popular has been heavily penalised by the low interest rate environment. Increased fee earnings failed to offset a 5.5 per cent fall to Pta158.6bn in net interest income and operating profit dropped 4.3 per cent to Pta114.3bn.

Popular salvaged its bottom line through lower provisioning and extraordinary items. It said it would increase its total gross dividend by 10.2 per cent to Pta325 a share. Last year it raised its full-year dividend by 12.2 per cent to Pta295. **Tom Burns, Madrid**

ITALIAN BANKING

MPS closes in on target

Italy's Banca Monte dei Paschi di Siena (MPS), one of the world's oldest banks, yesterday moved closer to control of Banca Agricola Mantovana when it emerged that its offer for Mantua-based BAM had been accepted by shareholders owning 75 per cent of BAM's share capital. At L35,000 a share, MPS's offer, launched last December, is worth L3,200bn (€1.65bn, $1.93bn) and values BAM at 52 times earnings.

MPS, which was advised by Rothschilds, intends to place BAM in a holding with its Florence-based Banca Toscana subsidiary if the bid succeeds. Owned by a local government foundation, MPS is expected to be partly privatised this year. **David Lane, Rome**

Notice to Noteholders

EUROPEAN INVESTMENT BANK

FRF 3,880,180,000

4.5 per cent. EURO-Fungible Notes due 15 February, 2003
(the "Note Issue")

Notice of redenomination (conversion, renominalisation and reconventioning) and consolidation is hereby given in accordance with the terms and conditions ("Conditions") of the Note Issue, so that with effect from 15 February, 1999

Conversion
1 each Note of FRF 10,000 shall be deemed to be converted into EURO 1,524.49;
Interest Payment
2 an amount of EURO 68.60 shall be paid on 15 February, 1999 to the holder in respect of each Note of FRF 10,000;
Cash Settlement
3 in addition to the payment of interest, an amount of EURO 0.49 shall be paid on 15 February, 1999 to the holder in respect of each Note of FRF 10,000 so that, for each such Note, the amount of each EURO-denominated Note (the "Original Note") shall be EURO 1,524;
Renominalisation
4 the new denominations of the Notes (the "New Notes") shall be EURO 2, EURO 10,000, EURO 100,000 and EURO 1,000,000 and the total amount of the Note Issue shall be EURO 591,339,432;
Business Days
5 any reference to business days in the Conditions shall be deemed to refer to a day on which the Trans-European Automated Real-time Gross settlement Express Transfer system ("TARGET") is open;
Day-count fraction
6 the day-count fraction referred to in Condition 3 shall cease to be the basis of a 360-day year of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed, but shall be on the basis of the actual number of days elapsed divided by the actual number of days in the period from, and including the immediately preceding interest payment date to, but excluding the next scheduled interest payment date (ISMA Method);
Consolidation
7 the Note Issue shall be consolidated with note issues
4.5 per cent. EURO-Fungible Notes due 15 February, 2003,
ISIN DE0001967909 and XS0087210760
(the "Other Issues" and together with the Note Issue the "Consolidated Issue") which shall also be redenominated and consolidated on 15 February, 1999;
Nominal amount of Consolidated Issue
8 the aggregate nominal amount of the Consolidated Issue shall be EURO 2,160,816,072;
9 the EIB shall issue replacement Global Notes for the Consolidated Issue in exchange for the Global Note of the Note Issue and the Other Issues;
ISIN number
10 the ISIN number for the Consolidated Issue shall be XS0093665551;
Common Depositary
11 to the extent the Notes are held in Cedelbank or Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System, the common depository shall be Paribas Luxembourg; to the extent the Notes are held in Deutsche Börse Clearing, the depository shall be Deutsche Börse Clearing;
Stock Exchange Listing
12 the Consolidated Issue shall be listed on the Luxembourg Stock Exchange, without prejudice to a listing on one or more other Stock Exchanges in the European Community;
Clearer
13 the Consolidated Issue shall be cleared through Cedelbank, Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System and Deutsche Börse Clearing; it is also accepted in SICOVAM and Servicio de Compensación y Liquidación de Valores.
Noteholders are referred to the Conditions of the Note Issue (in particular "Redenomination", "Further Issues and Consolidation" and "General Information").
Copies of the Conditions are available for inspection at the office of the Fiscal Agent at

Paribas Luxembourg
10a Boulevard Royal
L-2093 Luxembourg

Dated 15 January, 1999

Notice to Noteholders

EUROPEAN INVESTMENT BANK

ESP 30,000,000,000

4.5 per cent. EURO-Fungible Notes due 15 February, 2003
(the "Note Issue")

Notice of redenomination (conversion, renominalisation and reconventioning) and consolidation is hereby given in accordance with the terms and conditions ("Conditions") of the Note Issue, so that with effect from 15 February, 1999

Conversion
1 each Note of ESP 100,000 shall be deemed to be converted into EURO 601.01;
Interest Payment
2 an amount of EURO 27.05 shall be paid on 15 February, 1999 to the holder in respect of each Note of ESP 100,000;
Cash Settlement
3 in addition to the payment of interest, an amount of EURO 1.01 shall be paid on 15 February, 1999 to the holder in respect of each Note of ESP 100,000 so that, for each such Note, the amount of each EURO-denominated Note (the "Original Note") shall be EURO 600;
Renominalisation
4 the new denominations of the Notes (the "New Notes") shall be EURO 2, EURO 10,000, EURO 100,000 and EURO 1,000,000 and the total amount of the Note Issue shall be EURO 180,000,000;
Business Days
5 any reference to business days in the Conditions shall be deemed to refer to a day on which the Trans-European Automated Real-time Gross settlement Express Transfer system ("TARGET") is open;
Day-count fraction
6 the day-count fraction referred to in Condition 3 shall cease to be the basis of a 360-day year of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed, but shall be on the basis of the actual number of days elapsed divided by the actual number of days in the period from, and including the immediately preceding interest payment date to, but excluding the next scheduled interest payment date (ISMA Method);
Consolidation
7 the Note Issue shall be consolidated with note issues
4.5 per cent. EURO-Fungible Notes due 15 February, 2003,
ISIN DE0001967909 and XS0084614659
(the "Other Issues" and together with the Note Issue the "Consolidated Issue") which shall also be redenominated and consolidated on 15 February, 1999;
Nominal amount of Consolidated Issue
8 the aggregate nominal amount of the Consolidated Issue shall be EURO 2,160,816,072;
9 the EIB shall issue replacement Global Notes for the Consolidated Issue in exchange for the Global Note of the Note Issue and the Other Issues;
ISIN number
10 the ISIN number for the Consolidated Issue shall be XS0093665551;
Common Depositary
11 to the extent the Notes are held in Cedelbank or Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System, the common depository shall be Paribas Luxembourg; to the extent the Notes are held in Deutsche Börse Clearing, the depository shall be Deutsche Börse Clearing;
Stock Exchange Listing
12 the Consolidated Issue shall be listed on the Luxembourg Stock Exchange, without prejudice to a listing on one or more other Stock Exchanges in the European Community;
Clearer
13 the Consolidated Issue shall be cleared through Cedelbank, Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System and Deutsche Börse Clearing; it is also accepted in SICOVAM and Servicio de Compensación y Liquidación de Valores.
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L-2093 Luxembourg

Dated 15 January, 1999

Notice to Noteholders

EUROPEAN INVESTMENT BANK

DEM 2,724,464,000

4.5 per cent. EURO-Fungible Notes due 15 February, 2003
(the "Note Issue")

Notice of redenomination (conversion, renominalisation and reconventioning) and consolidation is hereby given in accordance with the terms and conditions ("Conditions") of the Note Issue, so that with effect from 15 February, 1999

Conversion
1 each Note of DEM 1,000 shall be deemed to be converted into EURO 511.29;
Interest Payment
2 an amount of EURO 23.01 shall be paid on 15 February, 1999 to the holder in respect of each Note of DEM 1,000;
Cash Settlement
3 in addition to the payment of interest, an amount of EURO 1.29 shall be paid on 15 February, 1999 to the holder in respect of each Note of DEM 1,000 so that, for each such Note, the amount of each EURO-denominated Note (the "Original Note") shall be EURO 510;
Renominalisation
4 the new denominations of the Notes (the "New Notes") shall be EURO 2, EURO 10,000, EURO 100,000 and EURO 1,000,000 and the total amount of the Note Issue shall be EURO 1,389,476,640;
Business Days
5 any reference to business days in the Conditions shall be deemed to refer to a day on which the Trans-European Automated Real-time Gross settlement Express Transfer system ("TARGET") is open;
Day-count fraction
6 the day-count fraction referred to in Condition 3 shall cease to be the basis of a 360-day year of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed, but shall be on the basis of the actual number of days elapsed divided by the actual number of days in the period from, and including the immediately preceding interest payment date to, but excluding the next scheduled interest payment date (ISMA Method);
Consolidation
7 the Note Issue shall be consolidated with note issues
4.5 per cent. EURO-Fungible Notes due 15 February, 2003,
ISIN XS0084614659 and XS0087210760
(the "Other Issues" and together with the Note Issue the "Consolidated Issue") which shall also be redenominated and consolidated on 15 February, 1999;
Nominal amount of Consolidated Issue
8 the aggregate nominal amount of the Consolidated Issue shall be EURO 2,160,816,072;
9 the EIB shall issue replacement Global Notes for the Consolidated Issue in exchange for the Global Note of the Note Issue and the Other Issues;
ISIN number
10 the ISIN number for the Consolidated Issue shall be XS0093665551;
Common Depositary
11 to the extent the Notes are held in Cedelbank or Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System, the common depository shall be Paribas Luxembourg; to the extent the Notes are held in Deutsche Börse Clearing, the depository shall be Deutsche Börse Clearing;
Stock Exchange Listing
12 the Consolidated Issue shall be listed on the Luxembourg Stock Exchange, without prejudice to a listing on one or more other Stock Exchanges in the European Community;
Clearer
13 the Consolidated Issue shall be cleared through Cedelbank, Morgan Guaranty Trust Company of New York, Brussels Office, as operator of the Euroclear System and Deutsche Börse Clearing; it is also accepted in SICOVAM and Servicio de Compensación y Liquidación de Valores.
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Dated 15 January, 1999

COMPANIES & FINANCE: EUROPE

TELECOMMUNICATIONS STATE RESPONDS AS BIGGEST FOREIGN INVESTOR BLOCKS NOMINATION FOR SPT CHAIR

Telsource veto angers Czech leaders

By Robert Anderson in Prague

The deteriorating relationship between the Czech government and the country's biggest foreign investor finally broke down yesterday after Telsource, a Dutch-Swiss consortium, vetoed the state's nomination for chairman of SPT, the country's telecommunications monopoly.

Antonin Peltram, transport and communications minister, demanded that Swisscom and the Dutch telecoms company KPN replace Bessel Kok, the head of their Telsource consortium and chief operating officer of SPT. "I can't imagine minority shareholders from abroad dictating conditions to us, or even intervening in areas concerning the security of this country," Mr Peltram said.

Swisscom and KPN, which together own 33.5 per cent of SPT, said yesterday they were "shocked" by the minister's statements and would support Mr Kok.

The Social Democrat government, which took office in July, used its 51 per cent stake last month to remove Lubos Rezabek, the chairman appointed by the former administration.

Mr Peltram tried on Wednesday to install Antonin Kalda as his replacement, but it is understood that the three Telsource members on SPT's nine-man board, who have a veto, blocked the move.

Mr Kok said yesterday that Mr Kalda had been sacked as an SPT manager two months ago and "we don't like changes in what is a very homogeneous and successful transformation team".

However, Mr Peltram said he would call another board meeting next month to approve Mr Kalda and remove Svatoslav Novak, chief executive.

The quarrel over Mr Kalda is the latest in a series of disputes between Mr Peltram and Telsource. The minister has repeatedly voiced frustration that the 1995 privatisation tender gave Telsource managerial control despite the state's majority stake. In response, Telsource last month increased its stake from 27 per cent to 33.5 per cent, to give it a blocking minority.

Mr Peltram has attacked SPT's rebalancing of domestic and international tariffs, which saw local charges rise 25 per cent this month, and has raised the possibility of bringing forward the opening up of SPT's fixed-line monopoly from the end of 2000 to the end of this year.

The government's intervention in SPT follows the removal last week of the main board and most of the supervisory board of CEZ, the majority state-owned power company.

There is also speculation that the state will remove the top management of Unipetrol, the largely state-owned petrochemicals company, at the end of this month. All three companies are among the most highly capitalised and traded stocks on the Prague stock exchange.

Mixed signals fail to divert Scania

Organic growth rather than dramatic change is the aim, writes **Tim Burt**

Leif Ostling has had the walls of his office knocked down, clearing the way for an open-plan executive floor at the headquarters of Scania near Stockholm.

The chief executive of the Swedish heavy truck manufacturer says he can now see and hear what his senior colleagues are doing without leaving his desk. "No one has any secrets any more, I know exactly what is going on," he jokes.

In recent weeks, Mr Ostling has been receiving mixed signals about market conditions and sales figures at Scania.

He has been told that sales in Latin America, and particularly Brazil, have fallen by up to 20 per cent – leading to hefty losses in the region. At the same time, the company has enjoyed a near-record year in western Europe, where surging demand is expected to underpin sharply improved profits for 1998.

As senior executives finalise fourth-quarter figures, due next month, Mr Ostling has also turned his mind to the more fundamental structural issues facing Scania in a rapidly globalising automotive industry.

After more than 10 years at the helm, he does not expect a dramatic change of direction in terms of mergers and acquisitions. He prefers to concentrate on near-term margins and organic growth – arguing that the focus of restructuring will remain on the car sector, rather than trucks, for some time.

He declines to comment on the ownership intentions of Investor, the Wallenberg-controlled vehicle which owns 26.5 per cent of Scania. But he emphasises that Scania can steer an independent path in an industry which, in western Europe and North America at least, promises steady growth.

Scania has exploited that growth by capturing some 15 per cent of the European market for heavy trucks, complemented by an estimated 40 per share of the Latin American market.

But while strong European demand should be reflected by 1998 operating profits of SKr3.5bn ($449m), Latin America will remain heavily loss-making.

"We have managed to consolidate market share [in Latin America] but in a low market," says Mr Ostling. "We expect a weak market to continue in the first part of 1999."

The situation has not been helped by this week's devaluation in Brazil. Although it could make Scania's Brazilian-sourced products more affordable in neighbouring countries, punitive interest rates and a possible domino effect in the region make the outlook doubly uncertain.

In Europe, moreover, many analysts believe the heavy truck market is close to its cyclical peak. Yet John Lawson, automotive industry analyst at Salomon Smith Barney in London, argues that a slowdown in Europe could be a good thing for Scania. "Lower volumes would be helpful to many manufacturers, and would ease capacity constraints," he says.

Leif Ostling: turning his mind to structural issues — Jonas Nordin

Scania, despite unpromising conditions in Latin America, should emerge in better shape to face more modest European growth. The cost-overruns and warranty charges associated with the launch of its Series-4 flagship 18 months ago have largely disappeared, while sales and distribution operations have been dramatically improved.

But by improving its cost base and developing a truck platform envied by rivals, Scania has also made itself an attractive bid prospect. Investor, Scania's controlling shareholder, has made clear it wants to finance expansion in financial services, telecommunications and pharmaceuticals – but not heavy engineering.

Mr Ostling is confident Scania can stand alone. Unlike its Swedish rival Volvo, he feels no immediate compulsion to develop a US presence and rules out acquisitions in South America or south-east Asia. Instead, he says, "we probably could do a lot more within our existing factories to improve capacity, in Sweden, the Netherlands and France."

If underlying growth in the European truck industry remains steady, that could also persuade Scania to consider a new manufacturing location in six or seven years' time.

By that stage, Scania may also have developed a presence in medium trucks for the first time. The company is considering adapting its Series-4 platform to the 12- to 16-tonne sector, and will decide in coming months on whether to proceed.

Mr Ostling emphasises he is driven not by volumes but by profit. "It's simple," he says. "We will not invest any resources if it does not guarantee a good profit."

Total Fina may shed FFr10bn of assets

By David Owen in Paris

Total Fina, the oil and chemicals group in the process of being formed through the takeover of Belgium's PetroFina by Total of France, is planning to dispose of FFr5bn-FFr10bn (€762m-€1.52bn, $892m-$1.78bn) of assets over the next two years.

Thierry Desmarest, Total chairman, made the disclosure as the French company's shareholders approved the proposed deal, which would create the world's fifth-biggest oil company, at a meeting in Paris.

Mr Desmarest said the new group would "contain assets offering marginal returns", or that were too small in relation to its objectives. "It would be preferable to dispose of these assets."

Proceeds from the sale would help finance the company's exploration and production development programme and enable it to buy back more shares in addition to 3m shares already repurchased in December.

"For the merger to create substantial value for Total shareholders, the announced synergies will have to be developed quickly," he said. Synergies would add between FFr3bn and FFr4bn a year to operating income.

Under often sceptical questioning from a large turnout of shareholders, Mr Desmarest hinted that some of these disposals were likely to be in the US.

He also disclosed that about 1,000 job cuts were expected as a result of the merger, of which 200-250 were likely in both France and the UK. He suggested just under FFr2bn of restructuring provisions would be taken in the group's 1999 accounts.

"We are convinced that we will make Total Fina one of the world's leading oil companies, enjoying strong growth, competitive in each of its core businesses and capable of providing many reasons for satisfaction among employees and shareholders," he said.

In spite of his comments, Total shares yesterday fell 3.5 per cent to €91.70 on the rising Paris stock market. The company was last month forced to launch an investor relations campaign to overcome lukewarm shareholder support for the proposed takeover, with doubts arising about the 37 per cent premium paid.

But Baron Albert Frère, the Belgian financier who will be the enlarged group's biggest shareholder with a nearly 9 per cent stake, said yesterday he did not think Mr Desmarest was overpaying. "He paid a fair price," Baron Frère said at the end of the meeting. "He has a reputation as a hard businessman who watches over Total's affairs."

The company indicated the transaction should be completed between mid-April and early July.

Hypo aims for BPH majority

By Tony Barber in Frankfurt

Bayerische HypoVereinsbank, Germany's second biggest bank, said yesterday it planned to strengthen its position in central Europe by increasing its stake in one of Poland's most profitable banks to more than 50 per cent.

HypoVereinsbank, which bought almost 37 per cent of Bank Przemyslowo-Handlowy (BPH) last October, announced earlier this week that it had raised its stake to 46.6 per cent by acquiring 9.95 per cent of the bank's shares from the London-based European Bank for Reconstruction and Development.

HypoVereinsbank paid the EBRD, which had held a 16 per cent stake in BPH, 420 Polish zlotys a share for its stake.

By contrast, it paid almost 480 zlotys a share last year when it acquired its initial stake in BPH from the Polish state.

Last year's higher price was attributable partly to the fact that HypoVereinsbank had to fend off competition from two other banks in order to acquire a strategic stake in BPH.

The Munich-based bank aims to raise its stake above 50 per cent by adding its existing Polish operations to BPH.

BPH, one of Poland's six biggest banks, is based in the southern city of Krakow and has about 170 branches with 6,000 staff. It is the market leader in southern Poland, where it has a 30 per cent share of banking business.

Analysts view BPH as one of Poland's strongest banks, with about 10bn zlotys ($2.9bn) in assets and an after-tax return on equity of 28 per cent.

It was privatised in 1994, when 51 per cent of the bank was listed on the Warsaw stock exchange, and was identified by HypoVereinsbank last year as a key element in the German bank's strategy of turning itself into a "bank of the European regions".

Metra warns after revamp

By Tim Burt in Stockholm

Metra, the diversified Finnish industrial group, yesterday warned full-year profits would fall short of market expectations following increased restructuring charges at Wärtsilä NSD, its troubled industrial engine subsidiary.

The company, which last year postponed a three-way demerger following signs of cost-overruns and operating losses at Wärtsilä, said it would lift restructuring charges for the division from FM250m-FM300m (€42.1m-€50.5m, $48.6m-$58.3m).

It also announced further write-downs on contracts and a revaluation of uncompleted power plant projects.

"Wärtsilä's result for 1998 will be a heavy loss," the company said. In 1997, the division reported a FM247m loss following higher-than-expected costs and product delays.

In Helsinki yesterday, Metra's most commonly traded B shares fell €0.60 to €14.80.

The company said its Sanitec and Imatra Steel divisions continued to perform well.

In 1997, the group reported a pre-tax profit of FM393m – down from FM927m in the previous year – even though sales rose from FM11.7bn to FM15.3bn.

Outlining the restructuring at Wärtsilä, Metra said that the charges would cover the closure of four sites – two in France and two in the UK – operated by its joint venture company Cummins Wärtsilä Engines.

In total, some 1,000 jobs are likely to be lost, including cutbacks at plants in Switzerland, the Netherlands and in Sweden, where the company is halting engine manufacturing in Trollhättan.

The writedowns were said to relate mainly to projects in Asia.

Nevertheless, Metra said most of the costs would be offset by savings this year and the measures would have no material impact on cash flow.

Purchase helps Roche lift sales

By William Hall in Zurich

Roche, the Swiss pharmaceuticals group, lifted sales 31 per cent to SFr24.7bn ($18.22bn) in 1998, helped by the acquisition of Boehringer Mannheim, the German healthcare group, and the launch of several new drugs.

Pharmaceutical sales rose 22 per cent in local currency terms, to SFr14.4bn. Franz Humer, chief executive, said that after adjusting for acquisitions, the underlying rate of pharmaceuticals sales growth was running at between 8 per cent and 8.5 per cent, well above the 5 per cent estimated market growth.

Roche has suffered delays and problems in introducing new drugs over the past 18 months. Nevertheless, yesterday's figures show that the underlying rate of growth in pharmaceuticals is accelerating as new products such as Aids drugs Viracept and Fortovase, cancer drugs Xeloda and MabThera, and Zenapax (transplant rejection) are rolled out.

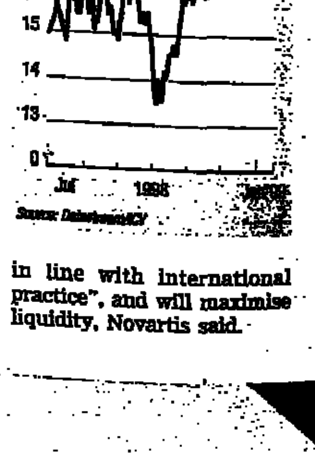
Mr Humer said the new products had added more than SFr500m in sales, while Xenical, the new anti-obesity drug, had sold "way in excess" of SFr100m in the final quarter. Roche is still awaiting US clearance for Xenical, but hopes to launch the drug there in the first half of 1999.

The Boehringer Mannheim acquisition resulted in Roche's diagnostics business more than quadrupling, with 1998 revenues of SFr4.6bn.

Sales of vitamins and fine chemicals, Roche's highest-margin business, have been hit by the Asian crisis and fell 2 per cent in local currency terms to SFr3.63bn. Sales of fragrances and flavours rose 11 per cent, to SFr2bn. Roche's non-voting certificates rose SFr130 to SFr17,400 yesterday.

● Novartis is seeking shareholder approval to simplify its share structure. It wants to convert its bearer shares, accounting for 11 per cent of its capital, into registered shares. The move will give the company an "up-to-date, transparent capital structure in line with international practice", and will maximise liquidity, Novartis said.

Roche
Share price (SFr '000)



tech leaders

Total Fina may shed FFr10bn of assets

rns

mp

sales

CARMAKING REMARKS ON BENEFIT OF EQUITY LINK FUEL SPECULATION ABOUT STRONGER ALLIANCE

Nissan upbeat over DaimlerChrysler

By Alexandra Harney in Tokyo

Nissan Motor, Japan's second largest carmaker, yesterday publicly recognised for the first time tangible benefits from an equity link with DaimlerChrysler after Yoshikazu Hanawa, president, identified synergies in fuel cell technology and computerised safety systems.

Mr Hanawa's remarks are a sign that the troubled Japanese carmaker is considering some form of alliance with the US-German group. Analysts saw the comments as particularly significant coming just days before Jürgen Schrempp and Robert Eaton, co-chairmen at DaimlerChrysler, arrive in Tokyo to open an exhibition of the group's vehicles.

Their arrival has fuelled speculation that DaimlerChrysler will next week seal its long-standing plan to buy into Nissan Diesel, the Japanese carmaker's troubled truck and engine affiliate.

Nissan sought to quell rumours that a more ambitious link between DaimlerChrysler and the Nissan parent company was imminent. It said Nissan Motor was not talking to DaimlerChrysler about an equity stake and that Mr Hanawa was not scheduled to meet the two chairmen next week.

However, comments by Mr Hanawa that the changing nature of the international car market was making mergers a necessity have been taken to suggest such a meeting was likely. "Some people uphold the view that businesses will face a greater need to draw strength from economies of scale, as a company will find it more difficult to survive [competition] single-handedly," he said.

Nissan has denied any intention to join forces with a foreign group since December, when a German magazine reported it was set to forge an equity tie-up with DaimlerChrysler. The company has also denied reports of talks with Renault of France and Ford. Nissan has a contract in the US to build people-carrying "mini-vans" with Ford, but no ties with Renault.

The financial and cultural implications of a US or European carmaker buying into the group are huge. Nissan, which expects Y30bn ($264m) in losses this year and has a debt-to-equity ratio of 2.3, has been selling non-core businesses and property holdings to improve its battered finances.

Chinese dip a cautious toe back into the listing waters

Mainland groups are reviving HK flotation plans, says **Louise Lucas**

After a year in the cold, Chinese mainland enterprises are tentatively dusting off their listing plans. The first of these, Heliongjiang Agriculture Co, a farming company in northern China, said yesterday it would push ahead with its flotation plans despite the market turmoil.

Heliongjiang is aiming to raise HK$1.7bn (US$219m) on the Hong Kong stock market this month. But bankers are warning that one listing does not spell a full calendar for the beleaguered H shares, the name given to the scrip of mainland enterprises listed on the Hong Kong stock market.

"I hope they get it completed, because that will send a positive signal to the market that the H share market is still open," says Nick Andrews, director of equity capital markets at CSFB. "But the timing is extremely unlucky; no doubt about that."

Investors have become disenchanted with the sector, which has disappointed on earnings – several H shares missed their own forecasts – and nearly all are trading below their issue prices.

Interest in the broader China-related market is also wearing thin after high levels of debt and incompetent management decisions among "redchips", or China-backed companies.

On Tuesday it emerged that Guangdong Enterprises, the Chinese province's biggest commercial enterprise outside China, had debts of $2.9bn and several of its Hong Kong-listed units were also having problems meeting debt repayments. Redchip share prices plunged on the news.

Demand may be sparse, but supply continues unabated. The latest batch of would-be H-share companies selected by Beijing offers little to whet investors' jaded appetites. The eight companies are drawn mainly from the infrastructure and utilities sector – even Heliongjiang Agriculture derives the bulk of its profits from sub-letting land.

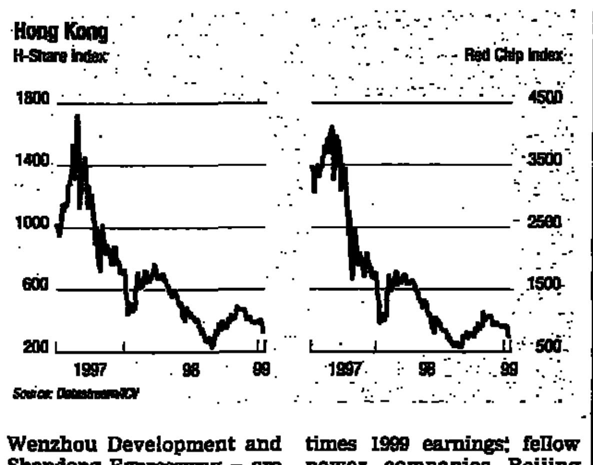
In addition to the eight new names are about 20 from previous batches which have yet to make it to market. Several are unlikely to float now and have been dropped, but many more seek Beijing's listing approval.

Some have had a long wait. Shandong International Power was approved in 1994 and is expected to test the waters again shortly, but with scaled down ambitions – the market believes it will seek about $200m – and the latest wave of volatility may yet scupper its plans.

Shanghai Electric Power is understood to have been postponed indefinitely. China's impressive economic growth has not translated into a comparable pick-up in demand for electricity, and earnings growth for listed power companies has been largely flat.

However, the H-share jinx is about more than sectoral choice. Size matters, as does liquidity in the secondary market and an ability to generate cash flow.

"Investors are more interested in large companies with very established operations, solid cash flow and reasonable growth prospects," says one investment banker. "If you look at these things, I think most of the H-share companies don't qualify."



Source: Datastream/ICV

While the upcoming issues, mainly in the infrastructure sector, score better on cash flow and growth prospects, they still lack the size. Those most likely to come to market this year – Hebei Expressway, Ningbo Port, Wenzhou Development and Shandong Expressway – are each expected to raise less than US$200m. Beijing International Airport, which may also fly this year, could seek up to $300m.

Part of this is what Meocre Li, managing director of ICEA Finance Holdings, calls "the market's reality check". Pricing has come down sharply since Tsingtao Brewery, the inaugural H share, made its debut in July 1993. Tsingtao listed on a prospective price earnings multiple of 13 times.

Companies coming to market now are unlikely to achieve multiples in double digits, given that few of their listed peers are trading any higher. But sharply lower multiples jar with one of the stipulations laid down by China: that companies should not be sold below their net asset value.

Pricing conflicts have stalled several issues. Shandong International Power was looking for a multiple of 14 times 1999 earnings; fellow power companies Beijing Datang and Huaneng International are trading on multiples of 11 and nine times respectively.

But investors' disillusionment goes beyond price and performance: lack of transparency, management expertise and knowledge have also conspired to frustrate investors, says Mr Li.

"By increasing the supply of companies without improving the fundamentals I cannot see the picture improving," he adds.

What would change the dynamics is the debut of another China Telecom, which has gained 23 per cent since its US$4bn offering in October 1997.

Untapped fields for another big, liquid issue include the oil and finance sectors, says Mr Andrews. Three candidates in the former would qualify, but with weak oil prices and market volatility, none is likely to venture to market this year.

Coca-Cola to merge Japanese bottlers

By Alexandra Harney

Coca-Cola, the world's largest soft drink manufacturer, is merging two of its Japanese bottlers to create a new anchor bottling company with sales of Y190bn ($1.67bn) this year and a market value of Y235.3bn.

Kita Kyushu Coca-Cola Bottling and Sanyo Coca-Cola Bottling, two listed companies based in western Japan, will merge to form Coca-Cola West Japan. The Coca-Cola Company, the Atlanta-based group at the centre of the Coke network, will have a 5 per cent stake in the new bottler.

The merger marks the first step towards consolidation of Coke's 17 bottlers in Japan into a single company. The US group has created 10 anchor bottlers in the US, Europe, Africa and Asia since the mid-1980s, each of which has focused on distributing Coke products in particular markets.

Coca-Cola dominates the Japanese market with 60 per cent of carbonated soft drink sales, and also has 50 per cent of canned-coffee sales. It derives almost a fifth of its profit from Japan, putting the country second to the US in its contribution to the company's bottom line.

Coke's 5 per cent share in Coca-Cola West is its smallest stake in an anchor bottler – it holds between 13 and 50 per cent of the 10 existing bottlers.

Kita Kyushu paid Y69.8bn for Sanyo, offering 0.544 of its shares for each Sanyo share. Calculated at share prices the day before the deal was announced, this represented a 40 per cent premium for each share and 20 times 1997 net earnings. Following news of the deal, trading in Sanyo was suspended. Kita Kyushu's shares soared 8 per cent to Y3,860.

The new company, which will employ 2,800 workers, is expected to start operations in July.

NEWS DIGEST

TRANSPORT

Stagecoach reduces offer for HK bus operator

Stagecoach, the UK transport group, has dropped the price it is prepared to pay for a stake in Citybus, one of the biggest bus operators in Hong Kong. It has also extended its exclusive negotiations, which should have ended on Wednesday, by another week.

Citybus said the price had fallen to HK$1.95 a share, compared with the original HK$2. This would reduce the full bidding price by HK$60m, to HK$2.34bn (US$302m), and the price of the 36 per cent stake being sought would fall from HK$864m to HK$842.4m.

The stake is being sold by CNT, the embattled Hong Kong-based paint manufacturing and property investment company headed by Tsui Tsing-tong. Mr Tsui set up New China Hong Kong Group, a financial services company. Both the company and Mr Tsui have in recent months been served with a series of writs claiming unpaid loans and interest, increasing the financial pressure on Mr Tsui. **Louise Lucas, Hong Kong**

VIETNAMESE PRIVATISATION

Foreign investors admitted

The Vietnamese government is to allow foreigners to buy shares in one of the country's main food-processing companies, marking a step forward in Vietnam's slow-moving privatisation efforts.

Only a few dozen, mainly small, companies have been sold since Vietnam began its privatisation programme in the early 1990s. Of those, only the Refrigeration Electrical Engineering Company of Ho Chi Minh City sold shares to foreigners.

Dragon Capital, the UK venture capital manager which arranged the Refrigeration Electrical Engineering Company deal, is also underwriting the sale of 30 per cent of the shares in the Halong Canned Food Company, based in the north-eastern port city of Haiphong. The Ministry of Fisheries will retain a 40 per cent share in the company, which will have a value of just under $2m after privatisation; the remainder of the shares will be divided between the management, workforce and the public. Halong Canned Food is one of Vietnam's three largest food processing companies, producing a range of frozen and canned products. **Jonathan Birchall, Hanoi**

MOBILE BANKING

Citibank in Asian link-up

MobileOne, the fast-growing Singapore-based mobile-phone operator, is collaborating with Citibank of the US to offer the first comprehensive mobile-banking service in Asia and one of the most advanced in the world. This year MobileOne, in which Cable and Wireless of the UK and its majority-owned subsidiary Hongkong Telecom both have stakes, will launch a service enabling customers to top up their electronic cash cards using their mobile phones. The new phones, developed by Motorola of the US, will have a special slot to accept a cash card.

The new service from MobileOne and Citibank Singapore will enable customers to ask for details of their accounts, move money between accounts and pay bills using the text-based Short Message Service. **Alan Cane**

NORMA COHEN
THE PROPERTY MARKET

Retail therapy at a discount

Factory outlets are attracting bargain-hunters and value shoppers

Europeans, it seems, are getting hooked on discount shopping. According to the newly published "Factory Outlet Center Report", the number of outlet centres in Britain will double from the current 19 by 2000.

The report, published by the Frankfurt-based Institut für Gewerbezentren, an independent research organisation, says France has seen its factory outlets increase to eight over a 14-year period, and will have a further five by 2000. Spain, which opened its first outlet centre in 1997, will have four by the end of the decade, while Switzerland, which has three centres, will see that number double by 2000.

Even in Germany, where full-price retailers' trade organisations have all but suppressed factory outlet centres, one is under construction.

Gross lettable area of European factory outlet centres has grown to 413,160 square metres, from almost nothing 10 years ago, the report notes.

What is driving the phenomenon and what are the characteristics that make this unusual type of retail work?

Scott Malkin, chief executive of Value Retail, developer of Bicester Village near Oxford, the most up-market factory outlet centre in the UK, says the impetus behind such centres is simple. "It's because manufacturers have surplus," he says.

Clothing manufacturers are most frequently represented at outlet malls because fashions change quickly and distributors need to make room for new goods by quickly selling last season's models.

Chris Warren, partner at Healey & Baker in charge of its factory outlet advisory business, notes that although manufacturers need outlets for goods which haven't sold quickly, they recoil at the thought of selling these too close to full-price distribution outlets. "There are a number of premier brands who will not do it out of principle," he says. Not only do they dislike the competition, but the concept of "expensive" is synonymous with their up-market brand image. Increasingly, however, manufacturers are realising they need them and that is why they are out of town, Mr Warren says.

In the US, factory outlets are already a firm fixture in the suburban landscape. That Europe is so far behind the US in this retail format is as much due to planning restrictions on out-of-town retail as anything else.

However, says Mr Warren, the use of factory outlet centres to dispose of overstock requires a centralised distribution system that many European manufacturers have yet to master. Those who have, he says, have been shipping their surplus to the US for years.

But defining what makes one outlet centre more successful than another is a more complex question. The report singles out several key ingredients. The first is location in a well-trafficked area, either in a tourist location or within an easy car journey from a large urban conurbation. Second, there must be a sufficient range of products. Third, customers must be convinced that goods sold there cost significantly less.

"Customers visiting a factory outlet centre must believe that they are obtaining brand-name goods at a lower price than in the normal shops, that they have found a bargain," the report says.

But perhaps most importantly, the report says: "A factory outlet centre requires exceptionally careful property management, calling for a central, professional centre management team."

Vincent Prior, partner in charge of the European retail advisory team at consultants Jones Lang Wootton, says: "Management is a big issue. Lots of people have seen the concept and think it's easily replicable."

Factory outlet centres in the US had roughly trebled between 1988 and 1997, to 329 centres. But too many did it badly and the number has fallen to 312.

The Institut's report notes that unlike traditional shopping centres, lease agreements must include tenant obligations to respect opening hours, to participate in joint advertising promotions, to meet standards for display, hygiene and cleanliness, to expect the presence of competing brands, to offer genuine discounts, and to limit the percentage of "seconds" offered for sale.

But Mr Malkin, who is developing a joint venture with Disney on the outskirts of Paris, says his outlets' success depends on achieving a more mercurial quality. "We are not in the retailing business," he says. "We are about creating tourist destinations. It's a complete experience."

Thus, Value Retail builds no enclosed malls because research with focus groups showed that in consumers' minds they too closely resembled traditional shopping centres.

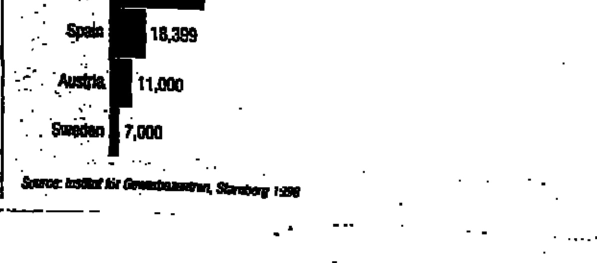
Mr Malkin eschews fast-food courts, crèches, cinemas and other features designed to make customers stay longer at many factory outlet centres. Shoppers at Value Retail's centres, which include brands such as Versace, Joan & David shoes and Deschamps linens, will visit the centre no more than two or three times a year and do not wish to be distracted by cinema-goers or bouncy castles.

Yet BAA/McArthur Glen's outlet centres at Cheshire Oaks and at the Great Western Railway Museum in Swindon offer all of these, and are considered among the most commercially successful in Europe. "It's a different shopper," Mr Warren says. "Bicester Village's customers go three times a year. Customers at Cheshire Oaks might go three times a week."

The Institut's report notes a growing polarisation among factory outlet centres. In the US, it says, there is a clear divide between "bargain-hunters", whom it characterises as primarily attracted by low prices and not overly concerned with presentation, and "value shoppers". The latter, it says, "are motivated to visit an outlet mall not only by the price but also by the quality and a wide selection of top-name products". These shoppers, the report says, want good service and comfort. For these, architecture and design matter.

But whatever the approach developers take, it is clear that European shoppers are eager for far more choice in brands, price and environment.

Factory outlet centres in Europe
Square metres (000s)



Source: Institut für Gewerbezentren, Starnberg 1998

هكذا من الاصل

RETAILING GROUP'S SHARES TUMBLE 13% AFTER PREDICTION OF SHARP PROFITS FALL TO LOWEST LEVEL FOR SEVEN YEARS

M&S warns as sales decline

By Peggy Hollinger

Marks and Spencer yesterday suffered one of the worst days in its history as a quoted company with a surprise profits warning and news of a severe drop in sales which sliced about 13 per cent from its share price.

Britain's biggest clothing retailer, which only last month emerged from a bruising board battle over succession to Sir Richard Greenbury, its forceful executive chairman, warned that profits this year would be between £625m and £675m ($1.11bn).

This is the lowest level of profit for seven years and almost half the £1.1bn profit achieved last year. The group said sales over the 15 weeks to January 9 were running about 13 per cent lower than last year, excluding new store space, with the sharpest declines in clothing and home furnishings.

Peter Salsbury, who is to become chief executive next month, admitted the numbers were "lousy". The group had made serious stock errors, he said, which meant ranges had to be discounted heavily in order to sell, at a total cost of some £150m.

"There was a severe overestimate of what the market would take," he said, referring to the sharp and unexpected industry slowdown in the second half of the year.

In addition, M&S admitted that many of its products were too expensive and it would be readjusting pricing across the business.

Finally the group said worsening trading in its European operations, where it has been expanding aggressively, would trim a further £25m from profits.

"St Michael's spell has been broken," said one analyst who yesterday cut his profit forecast from £825m to £650m.

In one of his first acts as chief executive designate, Mr Salsbury also announced a review of costs and a management restructuring which will see M&S organised along three clear lines: the UK retail business is to be run by Lord Stone, formerly in charge of the food division and a working Labour peer; overseas by Guy McCracken, previously head of personnel and communications; and financial services by the finance director, Robert Colville.

The group would also create a marketing department to co-ordinate strategies for all the UK retail operations, a job previously done by the individual product buying teams. A marketing director would be appointed from outside M&S, although this would not be a board position.

Some analysts suggested that the scale of the trading downturn reflected most badly on Sir Richard who is due to retire next year after more than 10 years at the head of Britain's premier retailer. "He ought to resign now," said one.

The shares closed 52¾p down at 339¾p.


M&S admitted to making serious stock errors Colin Beere

Sears receives long-promised bid from Green

By Maggie Urry

Philip Green, the retail entrepreneur, yesterday launched his long-promised bid for Sears at 340p, and won the backing of Phillips & Drew, the fund management group which has a 22.3 per cent stake. He also expects the support of Mrs Cristina Green, his wife, who bought 1.8m Sears shares in early autumn.

Sears said it "firmly rejects" the bid which "significantly undervalues" Sears. The shares jumped 34p to 344½p.

Mr Green's bid is being financed by the Barclay twins, the secretive multi-millionaires, who own the Scotsman, and other newspapers, and up-market hotels including the Ritz, in London's Piccadilly.

The aim is that their expertise in property will complement Mr Green's retail skills, to be applied to Sears clothing chains, and Freemans, its lossmaking mail order subsidiary.

In a change of tack, Mr Green's original bid vehicle Medinbond, which was only able to make conditional bids which were unattractive to shareholders, has dropped out. A new company, January Investments (JIL), is making the bid, which is not conditional on gaining up-to-date trading information.

JIL is ultimately controlled by the Barclay brothers, and is chaired by Aidan Barclay, the son of David Barclay, the older of the twins by 10 minutes. Aidan Barclay owns and runs the Ritz Hotel Casino, and is a director of a number of the brothers' investments. Advisers to JIL said they could not comment on how much money the Barclay family was putting into the financial structure of JIL, but it would be partly debt financed.

Mr Green said serious discussions with the Barclay family only began last week.

The bid values Sears at £519m ($856m) and puts it on an exit multiple, on current year forecasts of some £31m pre-tax, of about 25.

JIL is advised by Flemings; Sears by Warburg Dillon Read.

Imetal open to ECC executives

By Charles Pretzlik

Imetal, the French metals, minerals and building materials group, is expected to offer jobs to the senior management of English China Clays if its £680m ($1.12bn) hostile bid for its UK rival succeeds.

It is understood that Imetal, which launched its bid this week, has not yet drawn up a list of people it would approach, but analysts expect that Dennis Rediker, chief executive, would be among those offered a position.

Imetal said: "We would welcome the ECC management into the enlarged group. No one has been ruled out."

The subject is understood to have been raised at a meeting to discuss the bid last week between Lawrence Urquhart, ECC's chairman, and his counterpart at Imetal, Aimery Langlois-Meurinne.

Imetal remains keen to present its bid as friendly instead of hostile, even after its approach was rejected by ECC. The formal offer document is expected to be posted to shareholders towards the end of next week. ECC will then have 14 days to respond.

ECC yesterday moved to bolster its defences by appointing a new finance director to replace Patrick Drayton, who left the group in October. ECC has appointed Paul Hollingworth, currently vice president finance, of the Turf Care and Speciality Products subsidiary of Textron, the US industrial group with interests from golf carts to jet aircraft.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Game	6 mths to Nov 1	31	(25.7)	0.744	(0.172)	0.7	(0.2)	1	Feb 26	-	-	-
Greenwich Resources	Yr to Sept 30	-	(-)	0.555♥	(0.226L)	0.5	(nil)	-	-	-	-	-
Gresham Computing	Yr to Oct 31	23.1	(8.69)	3	(0.667♠)	5.73†	(1.17)	0.6	May 3	0.5	0.6	0.5
ML Laboratories	Yr to Sept 30 ★	5.36	(6.86)	8.44L	(4.55L)	5.82L	(3.14L)	-	-	-	-	-
Sports & Outdoor Φ	6 mths to Sept 30	5.1	(-)	0.43	(-)	0.81	(-)	-	-	-	-	-
Stanley Leisure	6 mths to Nov 1	239	(232.2)	14.5	(10.1)	9	(6.3)	1.65	Feb 20	1.4	-	4.6

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★Comparatives restated. ΦAim stock.

World Cup aids Stanley Leisure

By Thorold Barker

The going was good for Stanley Leisure, the gaming group, in the first half of the year, with soft ground at the UK's race courses and World Cup fever contributing to a 43 per cent jump in pre-tax profits.

Michael Riddy, finance director, said: "The bookie was luckier than the punter [over the period]. We were not unique in that, we all had a good summer."

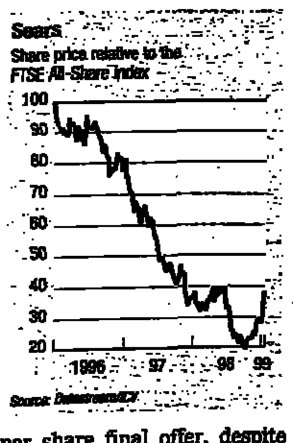
Pre-tax profits were £14.5m ($24m), against £10.1m, for the six months to October 26 from turnover of £236.2m (£232.2m). The average number of horses in each race rose from 10 to 10.6, as wet weather kept the ground soft and encouraged owners to race horses more regularly than they would on harder ground.

This worked in the bookmakers' favour by reducing the chance of the favourite winning.

The World Cup contributed about £4m to turnover and about £750,000 to pre-tax profits. Football is traditionally higher margin than racing because supporters tend to be emotive and back their own team.

COMMENT

Sears



So is this it for Sears? One of the UK stock market's least lovable companies, there will be no tears if the bid from January Investments – a shell financed by the Barclay twins – succeeds in taking the ailing retailer private. Sears' 90 per cent underperformance in the decade preceding mid-November's bid speculation explains why some shareholders (see below) are cashing out even before seeing an offer document.

But they may be a little hasty. True, there is no certainty counterbidders will improve on yesterday's 340p per share final offer, despite yesterday's closing price of 345p. But a simple sum-of-the parts valuation suggests that the bid, although at a sizeable premium to Sears' pre-speculation price, still leaves plenty of value to be released. Recent disposals account for about 150p per share in cash.

The property arm has a net asset value of £134m ($221m) and should be worth at least 90p per share. Valuing the now lossmaking Freemans mail order business for half of the £370m Littlewoods planned to pay for it in November 1997 adds another 121p.

So even before attributing any value to Sears' clothing arm – which made £23m operating profit in 1997-98 and could sell for six to seven times that – a break-up value should exceed yesterday's bid. Given Sears' record, shareholders may well have little hope the current management will release this value. But at least there is scope for other bidders to enter the fray to make the parting with Sears even sweeter.

Philips & Drew

Is the underperforming Philips & Drew actively touting around for takeovers of companies that loom large in its portfolio? That would be a cynical reading of the bearish fund manager's irrevocable backing of the bid for Sears – of which it holds 22.3 per cent. Other recent cases, such as its advocacy of a merger between the Mirror Group and Trinity or Marley and John Mansfield, also show the UK's best-known value investor being increasingly aggressive towards its holdings and their managements.

Such shareholder activism is commendable. P&D is hardly likely to undermine good managements that are doing their best with simply unfashionable or undervalued companies as that would harm its own future returns on investment.

MEDIA ENDEMOL ENTERTAINMENT

Selling soap to Europe's viewers

A Dutch company's winning programme formats translate for diverse national audiences, says **John Gapper**

In the wooded suburbs of Hilversum, the town that has been the centre of Dutch broadcasting since the 1930s, sits a gleaming white building. It is the nerve centre of the first European company to prove that soap operas and entertainment shows can travel across borders.

Endemol Entertainment, the company for which this serves as headquarters, is little known outside its native country. Yet its productions such as *Goede Tijden, Slechte Tijden* in the Netherlands, *Isidingo* in South Africa, and *Medico de Familia* in Portugal are nationally famous.

The same Endemol shows may turn up in different guises in different countries. A show in which teams of male and female celebrities take part in a karaoke competition can be watched in France as *La Fureur*, in the UK as *Night Fever*, and under other names in Belgium, Italy and Germany.

"There are hardly any borders in television. A successful format in Holland works elsewhere in 95 per cent of cases, if you can adjust for local culture," says John de Mol, one of the two leading Dutch independent television producers who merged companies to form Endemol during 1994.

The company is now attracting more attention from European broadcasters as the number of pay television channels rises in step with the spread of digital technology. Along with Pearson Television, a sister company of the Financial Times, Endemol is Europe's largest independent producer.

It has also been expanding rapidly since it was floated in 1996, taking stakes in smaller production companies in the UK, Spain and Germany. It can now fairly claim to rival the large US film and television studios in making entertainment and drama programmes for European audiences.

Yet despite its potential, Endemol has not found life

John de Mol: full-time chairman

as a public company easy. Its shares only recently surpassed the Fl48 level at which they floated. That was helped by a decision to sell its troubled live entertainment arm, which puts on extravaganzas such as *Holiday on Ice*.

"I think their strategy is sound because consumers want local shows in their own language now, but I don't really see them as public company material," says one rival television executive. "They are very much privateers that have spent their lives doing things their own way".

Mr de Mol concedes this point, and is now spending more of his time improving Endemol's public profile. "Being public has influenced the way the company is run. During our first year, we underestimated what it meant, and we made many mistakes in dealing with the market," he says.

Mr de Mol had little training in dealing with an external audience of investors. He built up an independent production company in the 1970s after winning a contract to make a Christmas special on the US singer John Denver. Before that, he had worked in public television.

As a result, he admits that Endemol's directors tended to treat corporate governance as a part-time affair, preferring to work on programmes. "We spent 90 per cent of our energy on production and international growth, and were board members from 9am to 2pm on Fridays," he says.

With Mr de Mol concentrating his energies full-time as the sole chairman, this is being corrected. But Endemol still has some way to go to prove that a network of European companies can form a powerful European television studio – and become more than the sum of its various parts.

Endemol's theory is that it gains in two ways from creating this network. It can save on operating costs by using the same studios to make similar programmes in different languages, and can increase revenues by taking a quiz show or drama format from one country and selling it in another.

Translating a format across a border can be a more tricky affair than is immediately apparent. For example, consumers have differing expectations about how long programmes should last – Italian and Spanish viewers are happy to watch shows lasting up to two hours.

Mr de Mol argues that Endemol's network of local production outlets in Europe give it an advantage over Hollywood studios in responding to this. "Americans are not good at making local programmes for Europe because they want everything to be done the same way," he says.

Endemol is more inclined to be flexible due to its roots in the Netherlands, he says. "We have the advantage of being Dutch. We operate from a small country, so the outside world is so large that we are used to adjusting to local tastes, rather than saying our way is best".

Selected Endemol programmes: the company is trying to become more than the sum of its various parts

As part of this approach, Endemol has tended to start by taking minority stakes in the local production companies it wants to be part of its network. It then acquires more of their shares as their founding entrepreneurs become more accustomed to an outside shareholder.

"This is still a young industry and we are talking about companies where the founders are working. They think of the company as something like their baby, and before they give that away they want to be sure their baby will be treated properly," says Mr de Mol.

But there are dangers with this approach, as executives acknowledge. The more loose-knit its network, the harder Endemol may find it either to impose strong controls or to gain benefits of scale. Competitors argue its growth through acquisition is not enough in itself.

A further difficulty facing Endemol is that it concentrates strongly on mass market formats suitable for traditional free television broadcasters. Although it produces many shows that are relatively cheap for broadcast television, it has little presence on digital pay television networks.

Yet Mr de Mol argues that there is plenty of room for growth in terrestrial television, in Europe and the US. It can not only make its own programmes, but it can also act as a European distributor of US films. European distribution deals are becoming more important to US studios in raising finance for films.

A clear sign of Endemol's new-found financial rectitude is its attitude to the US. While its directors displayed enthusiasm for a substantial US acquisition a year ago, they have become more cautious about the risks of such a venture, and are keener to stick to European turf.

They would clearly be taking renewed risks with the share price by making a large US acquisition. "We want to take it step by step in the US, and not jump into a big black hole," says Mr de Mol. He places more emphasis on selling Endemol formats to US networks that need new ideas.

HEALTH CHOLESTEROL

Drugs cut risk down to size

Pharmaceutical groups are competing to sell an effective but costly treatment, writes **Clive Cookson**

One health message conveyed successfully to the public in recent years is that too much cholesterol is harmful. Most educated people know that eating excess animal fat is likely to raise the amount of cholesterol in the blood and increase the risk of heart disease.

Many know, too, that cholesterol comes in "good" and "bad" forms. But there is considerable confusion about how much cholesterol is desirable, how much is dangerous and what can be done to adjust its level in the blood.

An important new factor has entered the equation during the 1990s: a group of drugs called statins, which provide a simpler and safer method of cutting cholesterol than anything available previously.

Half a dozen competing statins are now on the market. These tablets, swallowed once a day, can quickly cut cholesterol levels by a third, with little in the way of obvious side-effects. In contrast, few people manage a reduction of much more than 10 per cent by following the first step recommended by doctors: a healthier diet.

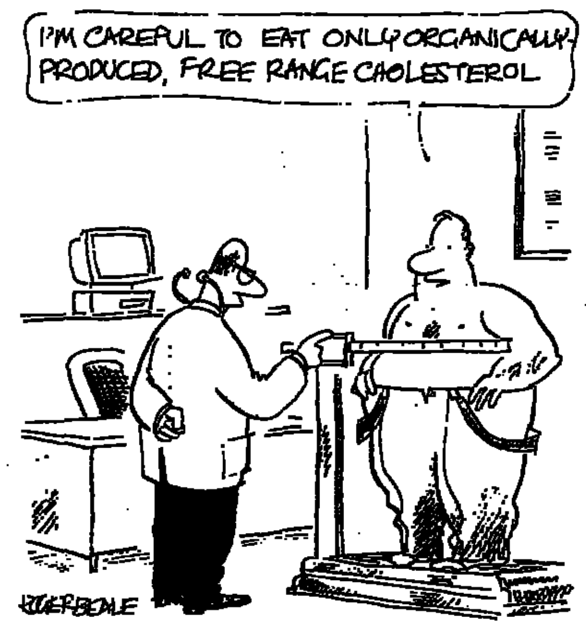
No wonder the statins represent an exceptionally fast-growing and lucrative pharmaceutical sector. Frost & Sullivan, the international consultancy, estimates that the cholesterol-lowering drug market is growing by about 20 per cent a year; 1999 sales will be worth $6.8bn in the US and $3.1bn in Europe.

US companies dominate the statin market. Merck is in the lead with Zocor – the world's second best-selling drug, after Astra's ulcer medicine Losec. Until last year the second-placed statin was Pravachol from Bristol-Myers Squibb but Lipitor, launched jointly by Warner-Lambert and Pfizer in 1997 is believed already to have overtaken it.

The sector's growth has been driven by a series of clinical trials, involving several thousand patients for each statin. These show that treatment cuts the number of heart attacks and strokes by about a third, both among patients who have already shown symptoms of cardiovascular disease and among people with raised cholesterol levels but no symptoms.

There is still some scepticism about the benefit of cholesterol-lowering drugs. Cynics note that the companies paying for the clinical trials and the academic specialists carrying them out have a vested interest in obtaining positive results.

But Brian Pentecost, medical director of the British Heart Foundation, says a general consensus exists among doctors that high cholesterol levels should be cut. Reports in the early 1990s that cholesterol lowering might have behavioural side effects, including increased aggression and suicide, have been discounted.



The medical debate focuses on who should receive statins and at what point, Prof Pentecost says, "but this has become terribly muddled up with the economic debate about the costs and benefits of statins".

The costs are substantial, because the patient has to continue taking the pills indefinitely. Lipitor, for example, was launched in the UK with a price to the National Health Service that ranges from £245 ($392) to £612 per patient per year, depending on dose. According to the manufacturers, several million people in Britain would benefit from taking statins.

Doctors generally advise patients to keep total blood cholesterol levels below 200 mg/dL or 5.2 mmol/L, if possible by avoiding fatty foods and, to a lesser extent, taking exercise. But Prof Pentecost says the trend is to stop thinking about a single action level for cholesterol and look at cholesterol in the context of other cardiovascular risks, such as smoking, diabetes, family history, age and sex.

An extremely dangerous level in a 60-year-old obese male smoker suffering from angina might cause little immediate concern in a 40-year-old woman with no other risk factors.

Looking to the future, statins are bound to dominate the cholesterol-lowering field for several years but researchers are already developing other drugs that might work more efficiently.

One approach is to investigate the genes of people who inherit low cholesterol levels and are naturally resistant to heart disease. This has led to the discovery of a liver protein involved in cholesterol synthesis, called MTP. Several companies are testing drugs that block MTP, with Bristol-Myers Squibb apparently taking an early lead.

"Functional foods", which have a pharmaceutical effect, could help too. Benecol, manufactured by Raisio of Finland, is forerunner of a new range of margarines containing plant sterols that reduce cholesterol levels by up to 10 per cent.

Maybe we will be able to have our cake and eat it, as long as it is spread with cholesterol-lowering margarine.

What is cholesterol?

Cholesterol is a soft fatty substance found in every human cell. It is a building block for forming cell membranes and other essential chemicals in the body, including some hormones.

But cholesterol is a major component of plaque, a thick, fat-laden deposit that clogs up arteries. This can cause a clot – precipitating a heart attack if it blocks the blood flow to cardiac muscle or a stroke if it cuts off blood supply to part of the brain.

There are two sources of cholesterol. The body makes some, mainly in the liver, and the rest comes from animal-based foods, (plants do not contain cholesterol).

Pure cholesterol cannot dissolve in blood. So it is transported around the body by fat-carrying molecules called lipoproteins.

These are divided into low-density and high-density lipoprotein. The main component, LDL or "bad cholesterol", deposits fats in the arteries. In contrast, HDL or "good cholesterol" carries them away to the liver. A third type of blood fat, triglyceride, is normally measured in cholesterol tests; it is harmful and should be kept low.

Confusingly, Americans and Europeans use different units in their measurements. The desirable maximum level for total cholesterol in the blood is usually expressed as 200 mg/dL in the US and 5.2 mmol/L in Europe.

JAMES BLITZ
FILE FROM ROME

Why producers are Italy's new princes

With Prada handbags and Gucci shoes, Italy seems a haven of consumer luxury. But appearances are deceptive

I recently bought a portable television from a shop near Rome's Isola Tiberina. A few days later, after modest use, it broke. So I made my way back over the cobbled streets of Rome's historic centre, and asked for a replacement.

"Non è possibile signore," was the firm reply. "You have to take it to the manufacturer to have it fixed."

"But the TV packed up so quickly," I said. "There must have been something wrong at the time I bought it."

"That's the manufacturer's problem, not mine," was the retort.

"But the manufacturer's office is on the other side of town," I insisted. "Besides, if this were London or New York, the TV would be replaced immediately by the shop as a sign of goodwill."

The man's face behind the counter was grim: "This is Rome, signore."

To outsiders, Italy seems like a peerless haven of consumer luxury: home of Gucci shoes; Prada handbags; Alessi kitchenware; and Luxottica sunglasses. But, ironically, Italians have the weakest consumer rights of any state in Europe.

The UK's consumer watchdogs have been sounding off on the airwaves and publishing investigative magazines for years. In the US, shoppers sue shopkeepers at the first sign of trouble. Italy is different. Here, the balance of commercial power remains firmly on the side of the producer.

The plight of the Italian consumer is quickly obvious. Walk into an Italian bank. Unless you are lucky, you will spend at least 20 minutes waiting to be served, often badly, by one of the few tellers.

Take out an Italian insurance policy and, says Movimento Consumatori, one of the country's few consumer watchdogs, you find that many insurers have reserved the right to break the contract at a moment's notice.

Get into a taxi at Rome's Fiumicino airport. If the driver suspects you are not a Roman there is a good chance he will double the normal fare to the city centre. Go into an Italian delicatessen. You will be lucky if the shop applies the law and deducts the packaging before it prices whatever is on the scales.

That is not to say all Italian shopkeepers are rogues. Rome, a tourist attraction, is particularly cynical. If you can strike up close relations with a storekeeper or market seller, then *conoscenze* (whom you know) becomes far more of an advantage than *conoscenza* (what you know).

But if an argument starts, the chances are that the people behind the cash register – or their masters – will win.

One explanation for this state of affairs is that Italy became a consumer society with large stores, brash publicity and customer choice much later than other industrialised countries.

Mass consumerism had already taken hold of the US before the war, the UK in the 1950s and France in the 1960s and 1970s. "Here, people only became accustomed to consumer choice in the 1980s and are not as aggressive about their rights," says Giuseppe Roma, a leading sociologist.

Second, the Italian political and economic system remains dominated by powerful producer lobbies that can swing votes. Confindustria, the employers' federation, and Confcommercio, the retailers' lobby, are more powerful than their counterparts in Europe.

But how long will Italian shoppers put up with such low standards? The arrival of the euro ought to herald a consumer revolution. The Italian public is now able, for the first time, to make direct price and quality comparisons with markets in France and Germany. It should prompt greater competition.

Internet shopping is taking off in the US and in some European countries. The Italians' craze for mobile phones shows they have a higher propensity than other Europeans to buy the latest information technology. Panorama magazine recently estimated there are 2.2m Italians online, a figure that will double to 4m by next year.

But the euro and the internet will not transform Italian retailing overnight. Few Italians will opt for e-mail order delivery while the postal service is unreformed. And foreign retailers that might deliver goods still have a weak foothold in the protected Italian market.

Until things change, the Italian shopper will face the ultimate consumer agony: being able to see on the internet goods and services that are cheaper than those on offer in the street, but are as yet beyond their reach.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

	Provisional Price for Trading on 15.01.99	Final Prices for Trading on 18.12.98		
½ hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	17.00	23.15	23.95	0.92
0100	26.70	23.10	23.91	0.92
0130	26.70	28.80	29.61	0.92
0200	26.70	28.80	29.61	0.92
0230	25.00	23.10	23.91	0.92
0300	23.26	21.86	22.67	0.92
0330	25.83	27.56	28.37	0.92
0400	25.83	21.86	22.67	0.92
0430	25.83	9.36	9.36	0.00
0500	17.00	9.35	9.35	0.00
0530	16.05	9.30	9.30	0.00
0600	16.00	9.36	9.36	0.00
0630	23.40	15.90	15.90	0.00
0700	21.65	15.90	15.90	0.00
0730	62.28	46.87	47.67	0.92
0800	62.29	47.65	48.45	0.92
0830	42.88	54.56	55.37	0.92
0900	42.90	54.56	55.37	0.92
0930	42.92	47.65	48.45	0.92
1000	53.81	90.20	91.01	0.92
1030	53.82	90.20	91.01	0.92
1100	53.66	40.49	41.30	0.92
1130	53.71	40.49	41.30	0.92
1200	64.21	90.20	91.01	0.92
1230	63.07	90.20	91.01	0.92
1300	45.77	38.38	39.19	0.92
1330	45.73	40.49	41.30	0.92
1400	45.73	40.49	41.30	0.92
1430	45.71	40.49	41.30	0.92
1500	45.69	40.49	41.30	0.92
1530	45.68	40.49	41.30	0.92
1600	41.16	38.46	38.29	0.92
1630	41.44	46.81	47.62	0.92
1700	54.13	48.81	49.87	0.92
1730	84.22	51.98	53.16	0.92
1800	84.09	51.44	52.50	0.92
1830	67.28	57.14	58.03	0.92
1900	57.57	90.25	91.07	0.92
1930	103.26	90.21	91.02	0.92
2000	103.23	49.81	50.61	0.92
2030	60.17	38.38	39.19	0.92
2100	50.17	34.60	35.41	0.92
2130	38.91	18.58	19.39	0.92
2200	24.87	18.58	19.39	0.92
2230	19.27	16.75	17.56	0.92
2300	10.10	17.00	17.81	0.92
2330	10.10	17.00	17.00	0.00
2400	10.00	9.70	9.70	0.00

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. [illegible] ©Energy Settlements and Information Services Limited

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EURO PRICES

EQUITIES

New year rally suffers January blues

EUROPEAN OVERVIEW

By Vincent Boland

The new year rally in European stock markets lost more of its momentum yesterday, with prices ending flat to a little lower, mostly on concerns about Brazil's financial crisis.

Markets had staged a distinctly half-hearted rally in early trading but when Wall Street opened sharply lower investors retreated.

Although the losses were relatively modest, analysts said markets remained vulnerable, especially as it was still unclear whether the de facto devaluation on Wednesday of the real would be enough, or if a further slide in the Brazilian currency was needed.

However, there was a growing consensus the crisis need not affect other Latin American countries to the same extent, and the impact on the US economy should be containable.

"The [US Federal Reserve] showed itself willing to respond appropriately by cutting rates last year [in the aftermath of the Russian financial crisis] and will do so again if needed," noted Marian Bell, head of treasury research at Royal Bank of Scotland. "The hedge funds have been neutered and the US is strong. Nevertheless this is a reminder that we aren't out of the woods yet as far as financial contagion is concerned."

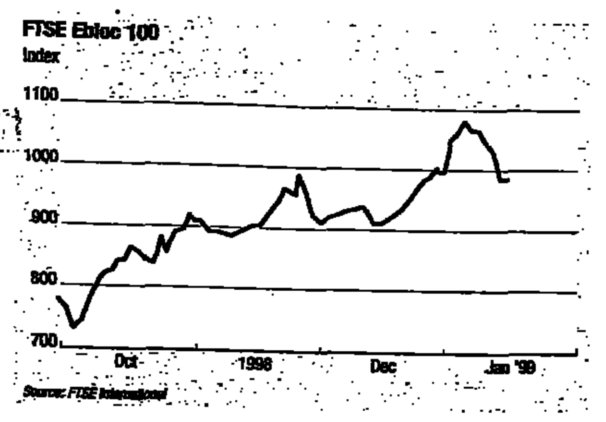
In generally heavy and volatile trading yesterday, the FTSE Eurotop 300 index of leading shares rose 1.16 points to 1,170.81, while the FTSE Eurotop 100 index fell 4.57 points to 2,702.26. The FTSE Ebloc 100 index of shares in euro-zone countries rose 1.31 points to 984.25.

Some of the sectors worst-hit by Wednesday's heavy falls – including banks and auto stocks – staged modest recoveries. Dealers said the initial reaction to the Brazilian crisis had probably been overdone, and there were bargain-hunters out early to pick up some cheaper stock.

Telecommunications stocks were an example, the sector index rising 1.85 per cent. Telefónica, which is a big investor in Brazil's privatised telecoms networks, rose €1.30 to €38.02, though the stock remains well down this week.

Vodafone was back at the centre of attention after two analysts' reports extolling the benefits of its proposed merger with AirTouch, and the shares rose €0.40 to €14.89.

FTSE Ebloc 100



Source: FTSE International

■ THREE MONTH EURO FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	96.960	+0.015	-	-	0	5944
Jun	-	97.130	+0.025	-	-	0	2463
Sep	-	97.190	+0.030	-	-	0	1532
Dec	-	96.895	+0.025	-	-	0	889

■ THREE MONTH EURO OPTIONS (LIFFE) Ecu1m points of 100%

Strike Price	CALLS Jan	Feb	Mar	Jun	PUTS Jan	Feb	Mar	Jun
97000	0.010	0.035	0.080	0.210	0.050	0.075	0.100	0.080
97125	0.005	0.020	0.025		0.170	0.185	0.190	

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 200 Puts 100

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Ecu20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2702.0	2720.0	+5.0	2760.0	2700.0	93	5905

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Ecu10 per index point

	2650 C	2650 P	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P
Jan	58	29	26	50	11	86	4	130	2	176	228	2	278	2	278	2
Feb	164	125	136	147	111	174	80	201	71	234	65	267	43	304	32	344

Est vol total- . Prev day's open interest total: 5.368 . Premiums shown are based on settlement prices.

OTHER INDICES

	Jan 14	Jan 13	Jan 12	1998/9 High	1998/9 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3314.27	3315.62	3468.15	3670.82	2433.07	3670.82	2433.07
DJ Euro Stx 50	3365.43	3336.45	3502.38	3685.36	2419.23	3685.36	2419.23
MSCI Europe	(u)	1168.55	1220.35	1315.55	908.59	1316.56	510.78

Source: Extel/part of FT information. *Subject to revision next day. (u) unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Jan 14 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1170.81	+0.10	+1.16	2.32	0.37	1206.94
FTSE Eurotop 100	2702.26	-0.17	-4.57	2.38	1.65	969.23
FTSE Ebloc 100	984.25	+0.13	+1.31	2.11	0.34	999.41
FTSE EuroMid	1134.57	+0.21	+2.36	2.95	0.51	1176.11
FTSE EuroMid Ebloc	1193.05	-0.10	-1.19	2.34	0.88	1219.18
FTSE EuroMid Ex UK	1209.45	+0.34	+4.11	2.25	0.60	1232.45
FTSE Eurotop 300 Regions						
Eurobloc	1231.63	+0.18	+2.25	2.06	0.54	1258.52
UK	1077.30	+0.06	+0.68	2.79	0.30	1131.43
Europe Ex-Eurobloc	1120.29	+0.01	+0.11	2.61	0.22	1160.57
Europe Ex-UK	1224.37	+0.12	+1.44	2.10	0.42	1247.70
FTSE Eurotop Industry Sectors						
RESOURCES	834.73	-0.40	-3.37	3.42	0.94	873.87
Mining	738.19	-0.38	-2.82	4.65	0.00	753.78
Oil & Gas	807.31	-0.40	-3.27	3.37	0.94	827.82
BASIC INDUSTRIES	1019.08	-1.82	-18.88	2.84	0.15	1040.91
Chemicals	793.42	-2.04	-16.52	2.82	0.16	807.59
Construction & Bld Matls	885.20	-0.59	-5.29	2.61	0.00	892.85
Forestry & Paper	862.15	-2.89	-25.69	3.57	0.00	901.57
GENERAL INDUSTRIALS	1054.71	-1.00	-10.60	2.60	0.13	1077.27
Aerospace & Defence	813.06	-0.94	-7.69	1.93	0.00	824.29
Diversified Industrials	962.11	-0.18	-1.77	2.09	0.00	984.12
Electronic & Elect Equip	944.39	-1.73	-16.60	1.93	0.00	949.53
Engineering & Machinery	882.84	-1.25	-11.21	4.47	0.45	895.46
CYCLICAL CONS GOODS	1264.26	+0.54	+6.78	2.60	0.00	1298.04
Automobiles	943.10	+0.49	+4.58	2.48	0.00	951.85
Household Goods & Texts	1203.17	+0.82	+9.81	3.42	0.00	1213.44
NON-CYC CONS GOODS	1227.82	+0.32	+3.90	1.48	0.00	1261.80
Beverages	925.06	+2.02	+18.30	2.86	0.00	945.03
Food Producers & Process	931.46	+0.10	+0.95	1.86	0.00	942.41
Health	938.58	+1.87	+17.24	6.10	0.00	950.59
Packaging	727.62	-1.55	-11.44	1.25	0.00	728.52
Personal Care & Hse Prods	1102.50	+3.38	+36.04	0.87	0.00	1111.91
Pharmaceuticals	1121.69	-0.18	-1.99	1.13	0.00	1127.78
Tobacco	1423.20	+1.09	+15.29	3.31	0.00	1450.31
CYCLICAL SERVICES	1194.18	+0.28	+3.36	2.54	0.67	1229.79
Distributors	765.65	-0.05	-0.42	3.85	0.00	774.25
General Retailers	1021.89	-1.01	-10.44	3.05	1.06	1044.03
Leisure Entertmt & Hotels	794.61	-1.15	-9.21	2.53	6.02	811.14
Media & Photography	1035.53	+1.15	+11.80	2.21	0.00	1046.59
Rests, Pubs & Breweries	772.39	+2.68	+20.15	3.54	2.64	797.51
Support Services	1018.33	+0.39	+3.94	1.44	0.00	1028.13
Transport	905.11	+0.67	+5.99	2.73	0.00	921.80
NON-CYCLICAL SERVS	1257.15	+1.36	+16.82	1.59	0.00	1293.94
Food & Drug Retailers	1031.42	-0.61	-6.36	1.98	0.00	1047.17
Telecommunications Servs	1226.88	+1.85	+22.26	1.51	0.00	1345.16
UTILITIES	1501.41	+1.39	+20.63	2.93	3.35	1595.91
Electricity	1153.38	+0.85	+9.73	3.08	3.42	1193.89
Gas Distribution	1237.26	+3.41	+40.85	1.51	1.00	1363.38
Water	919.24	+0.90	+8.19	5.37	0.00	962.70
FINANCIALS	1230.22	-0.38	-4.67	2.66	0.13	1263.93
Banks	833.41	-0.48	-3.98	3.52	0.16	845.41
Insurance	995.20	-0.20	-1.99	1.40	0.00	1007.21
Life Assurance	1128.40	-0.29	-3.27	1.72	0.00	1143.05
Investment Companies	1005.79	+1.15	+11.39	1.88	0.00	1029.92
Real Estate	642.00	-1.28	-8.32	3.70	0.00	658.69
Speciality & Other Fin	822.28	-1.00	-8.32	2.72	0.00	836.01
INFORMATION TECH	865.94	+1.98	+16.82	1.19	0.00	868.00
Information Tech Hardware	922.70	+2.92	+26.14	1.43	0.00	924.90
Software & Computer Serv	737.00	-0.59	-4.40	0.51	0.00	738.76

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CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Jan 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	35.8609	+0.0148	099 - 118	35.9140	34.5150	36.0527	-6.4	36.3579	-5.5	37.7593	-5.3
Denmark	(DKr)	7.4427	+0.0003	382 - 472	7.4473	7.4337	7.4467	-0.6	7.4550	-0.7	7.4924	-0.7
Greece	(Dr)	324.976	-0.4400	854 - 098	326.708	324.212	327.2880	-8.5	331.3937	-7.9	346.9418	-6.8
Hungary	(Forint)	253.661	-1.7390	519 - 803	257.400	252.200	258.9322	-15.5	262.9181	-14.6	284.8646	-12.3
Norway	(NKr)	8.7251	-0.0087	185 - 316	8.7430	8.6850	8.7643	-5.4	8.8225	-4.5	9.0208	-3.4
Poland	(Zloty)	4.1449	-0.0450	352 - 545	4.1670	4.1175	-	-	-	-	-	-
Romania	(Leu)	13198.17	+93.1700	950 - 684	13207.8	13185.0	-	-	-	-	-	-
Russia	(Rouble)	26.5017	-0.0066	790 - 243	26.6602	25.9238	-	-	-	-	-	-
Slovakia	(Koruna)	42.7712	-0.0782	211 - 213	43.0700	42.4445	-	-	-	-	-	-
Sweden	(SKr)	9.1443	+0.0184	391 - 494	9.1550	9.0610	9.1450	-0.2	9.1492	-0.2	9.1795	-0.4
Switzerland	(SFr)	1.5911	+0.0044	901 - 920	1.5961	1.5858	1.5881	2.3	1.5833	2.0	1.5663	1.6
UK	(£)	0.7057	-0.0025	053 - 060	0.7100	0.7042	0.7074	-2.9	0.7102	-2.6	0.7215	-2.2
Americas												
Argentina	(Peso)	1.1699	-0.0003	696 - 701	1.1721	1.1613	-	-	-	-	-	-
Brazil	(R$)	1.5439	-0.0004	430 - 448	1.5464	1.5252	-	-	-	-	-	-
Canada	(C$)	1.7861	-0.0022	851 - 870	1.7901	1.7615	1.7888	-1.8	1.7941	-1.8	1.8186	-1.8
Mexico	(New Peso)	12.3967	+0.1080	648 - 286	12.4392	12.2897	12.7494	-34.1	13.3953	-32.2	15.7997	-27.5
USA	($)	1.1701	-0.0003	698 - 703	1.1724	1.1616	1.1718	-1.7	1.1753	-1.8	1.1929	-1.9
Pacific/Middle East/Africa												
Australia	(A$)	1.8477	-0.0049	466 - 488	1.8528	1.8094	1.8502	-1.6	1.8550	-1.6	1.8823	-1.9
Hong Kong	(HK$)	9.0652	-0.0013	627 - 677	9.0680	9.8125	9.0877	-3.0	9.1439	-3.5	9.4657	-4.4
India	(Rs)	49.7257	-0.0054	107 - 407	49.8762	49.3622	50.0804	-8.6	50.7530	-8.3	54.4354	-9.5
Indonesia	(Rupiah)	10091.89	+28.6800	104 - 235	10175.00	10030.00	10543.43	-53.7	11329.74	-49.1	14284.81	-41.6
Israel	(Shk)	4.7757	-0.0189	675 - 838	4.8064	4.7254	-	-	-	-	-	-
Japan	(Y)	132.602	-0.4140	538 - 665	133.800	131.100	132.2657	3.0	131.6431	2.9	128.9438	2.8
Malaysia	(M$)	4.4462	-0.0011	462 - 462	4.4549	4.4143	-	-	-	-	-	-
New Zealand	(NZ$)	2.1664	+0.0043	639 - 688	2.1695	2.1513	2.1686	-1.2	2.1744	-1.5	2.2105	-2.0
Philippines	(Peso)	45.0470	-0.3626	618 - 321	45.3133	44.5474	45.4823	-11.6	46.2285	-10.5	49.8832	-10.7
Saudi Arabia	(SR)	4.3915	+0.0027	897 - 933	4.3994	4.3569	4.4054	-3.8	4.4346	-3.9	4.5613	-3.9
Singapore	(S$)	1.9669	-0.0067	653 - 684	1.9688	1.9545	1.9666	0.2	1.9662	0.1	1.9653	0.1
South Africa	(R)	7.2543	+0.0917	469 - 617	7.2756	7.1022	7.3403	-14.2	7.4942	-13.2	8.2189	-13.3
South Korea	(Won)	1367.68	+14.2700	583 - 973	1392.81	1382.81	-	-	-	-	-	-
Taiwan	(T$)	37.7675	+0.0840	027 - 323	37.8360	37.4770	37.8479	-2.6	38.0068	-2.5	38.8502	-2.9
Thailand	(Bt)	43.3094	-0.0521	592 - 596	43.3654	42.0830	43.4861	-4.9	43.9144	-5.6	45.7051	-5.5
UAE	(Dirham)	4.2975	-0.0012	964 - 986	4.3350	4.23040	4.3051	-2.1	4.3197	-2.1	4.3939	-2.2

Euro Locking Rates: Austrian Schilling 13.7603, Belgian/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

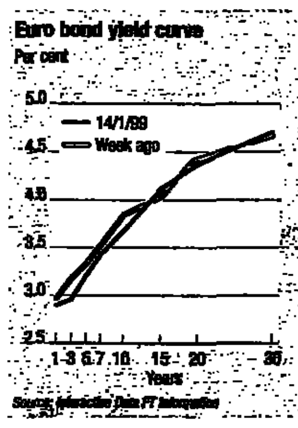
BONDS

INTEREST RATE SWAPS

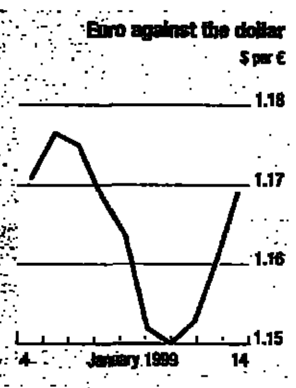
Jan 14	Euro-€ Bid	Euro-€ Ask	Euro-L Bid	Euro-L Ask	£ Stlg Bid	£ Stlg Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.06	3.09	3.06	3.09	5.43	5.46	5.02	5.05	0.50	0.53
2 year	3.07	3.11	3.07	3.11	5.19	5.22	5.06	5.09	0.60	0.63
3 year	3.19	3.23	3.19	3.23	5.17	5.21	5.12	5.15	0.80	0.83
4 year	3.33	3.37	3.33	3.37	5.17	5.21	5.18	5.21	1.00	1.03
5 year	3.48	3.52	3.48	3.52	5.17	5.21	5.23	5.26	1.20	1.23
6 year	3.63	3.67	3.63	3.67	5.17	5.21	5.29	5.32	1.39	1.42
7 year	3.77	3.81	3.77	3.81	5.17	5.21	5.34	5.37	1.57	1.60
8 year	3.90	3.94	3.90	3.94	5.17	5.21	5.40	5.43	1.73	1.76
9 year	4.02	4.06	4.02	4.06	5.17	5.21	5.45	5.48	1.85	1.88
10 year	4.11	4.15	4.11	4.15	5.18	5.22	5.49	5.52	1.95	1.98
12 year	4.27	4.31	4.27	4.31	5.18	5.23	5.59	5.62	2.17	2.20
15 year	4.46	4.50	4.46	4.50	5.19	5.25	5.70	5.73	2.42	2.45
20 year	4.65	4.69	4.65	4.69	5.20	5.27	5.80	5.83	2.64	2.68
25 year	4.76	4.80	4.76	4.80	5.20	5.27	5.81	5.84	2.69	2.73
30 year	4.83	4.87	4.83	4.87	5.20	5.27	5.82	5.85	2.76	2.80

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor. Euro quoted on annual bond 30/360 basis against 6 month Euribor and Libor with the exception of the 1 year rate which is quoted against 3 months Euribor and Libor. Source: Intercapital Brokers Ltd.

Euro bond yield curve



Euro against the dollar



Source: Interactive Data/FT Information

EURO-ZONE BONDS

Jan 14	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ SOVEREIGNS								
UK	01/01	4.250	AAA	102.356	3.03	-0.03	-0.32	+0.14
Denmark	01/02	4.750	AA+	104.535	3.12	-0.04	-0.23	+0.17
Sweden	02/01	5.000	AA+	103.810	3.05	-0.04	-0.06	+0.16
Greece	11/06	6.750	BBB	116.402	4.24	-0.03	-0.28	+0.82
■ SUPRANATIONALS								
ADB	10/07	5.500	AAA	110.233	4.06	-0.04	-0.26	+0.57
EIB	04/08	5.000	AAA	109.447	3.77	-0.03	-0.20	+0.17
Eurofima	12/09	5.625	AAA	112.263	4.20	-0.03	-0.26	+0.52
World Bank	04/05	7.125	AAA	118.943	3.67	-0.04	-0.14	+0.35
■ UTILITIES								
EDF	10/03	3.750	n/a	101.780	3.34	-0.04	-0.15	+0.27
TEPCO	02/03	4.750	AA	104.098	3.65	-0.04	-0.02	+0.58
Quebec Hydro	03/08	5.375	A+	107.084	4.42	-0.03	-0.22	+0.82
Norsk Hydro	10/99	7.250	n/a	102.541	3.51	-0.03	+0.11	+0.57
■ FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	109.990	4.22	-0.05	-0.11	+0.47
OKB	09/07	5.750	AAA	113.180	3.92	-0.03	-0.24	+0.41
Credit Local	04/08	5.250	AA+	108.319	4.15	-0.03	-0.16	+0.55
Abbey Natl	01/09	5.000	AA-	103.950	4.50	-0.03	-0.23	+0.82
■ INDUSTRIALS								
Unilever	10/01	5.125	AAA	104.644	3.31	+0.02	-0.17	+0.42
McDonalds	03/08	5.125	AA	110.240	3.78	-0.03	-0.23	+0.18
Philip Morris	08/08	5.625	A	107.039	4.68	-0.03	-0.46	+1.06
BAT Int Fin	07/05	5.375	A-	103.481	4.81	-0.03	-0.27	+1.39
■ PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	105.973	3.28	-0.01	-0.17	+0.39
FHC	01/04	5.000	n/a	106.644	3.52	+0.00	-0.16	+0.32
Bayer Vereins	01/06	6.000	n/a	113.428	3.78	+0.01	-0.17	+0.36
Depfa	07/08	4.750	n/a	105.209	4.07	+0.02	-0.22	+0.47
■ HIGH YIELD								
Geberit	04/07	10.125	n/a	109.736	8.04	-0.07	-0.46	+4.53
Colt Telecom	11/07	8.875	n/a	102.222	8.51	-0.02	+0.17	+5.00
Impress Metal	05/07	9.875	B	109.769	7.82	-0.08	+0.19	+4.31
Remy Cointreau	07/05	10.000	B+	91.111	12.00	-0.03	-0.77	+8.68

Standard & Poor's ratings. Source: Interactive Data/FT Information.

FTSE EUROTOP 300

Name	Price (Euro)	Chge + or -	Mkt cap Euro(bn)	Vol (m)	Yld
AEROSPACE & DEFENCE					
Brit Aero	6.95	-	6.1	11.4	1.3
[illegible]					
AUTOMOBILES · BANKS · BEVERAGES · CHEMICALS · CONSTRUCTION & BUILDING · DISTRIBUTORS · DIVERSIFIED INDUSTRIALS · ELECTRICITY · ELECTRONIC & ELECTRICAL EQUIPT · ENGINEERING & MACHINERY · FOOD & DRUG RETAILERS · FOOD PRODUCERS & PROCESSORS · FORESTRY & PAPER · GAS DISTRIBUTION · GENERAL RETAILERS · HEALTH · HOUSEHOLD & TEXTILES · I.T. HARDWARE · INSURANCE · INVESTMENT COMPANIES · LEISURE ENTERTAINMENT & HOTELS · LIFE ASSURANCE · MEDIA & PHOTOGRAPHY · MINING · OIL & GAS · PACKAGING · PERSONAL & HOUSEHOLD PRODUCTS · PHARMACEUTICALS · REAL ESTATE · RESTAURANTS PUBS & BREWERIES · SOFTWARE & COMPUTER SERVICES · SPECIALITY & OTHER FINANCE · SUPPORT SERVICES · TELECOMMUNICATION SERVICES · TOBACCO · TRANSPORT · WATER	[illegible]				

Prices higher on fears over Brazil

BENCHMARK BONDS

By Arkady Ostrovsky in London and John Labate in New York

The markets edged higher yesterday as investors moved into liquid benchmark bonds in anticipation of a further devaluation of the Brazilian currency.

In the US, the 10-year Treasury, the most liquid bond in the US market, was one of the main "buy" targets among investors, which analysts said was evidence that liquidity was one of the main concerns in the aftermath of the Brazilian crisis.

The European markets were also a touch firmer but traders said that activity there was "sluggish" with many investors adopting a wait-and-see policy.

However, the trend was clear. "The way things are heading, equities are going to feel a lot more pain, while Treasury and eurobonds are going to be big beneficiaries in the next few weeks," said David Brown at Bear Stearns.

The overall US Treasury market pushed higher as stocks fell back on Wall Street.

The 30-year bond, the benchmark for long-term interest rates, climbed ½ to 102$\frac{4}{32}$, with the yield falling to 5.1 per cent. Among shorter-term issues the 10-year note rose $\frac{11}{32}$ to 100$\frac{29}{32}$, yielding 4.665 per cent, and the two-year note was up $\frac{1}{32}$ to 100$\frac{7}{32}$, yielding 4.506 per cent.

Fresh economic reports confirmed the trend of strong US growth with low inflationary pressures.

The consumer price index rose 0.1 per cent in December, while retail sales rose 0.9 per cent. Motor vehicle sales were among the retail bright spots.

Germany's benchmark bund future rose 0.29 to 117.32, while the UK gilt future was up 0.17 to 119.68.

Spreads between German bunds and Spanish bonds widened from 16 basis points to 27 points, while Italian bonds are now yielding 28 basis points more than Germany.

Analysts said the trend could result in another liquidity squeeze.

The Spanish bond market came under particularly severe pressure because of the country's exposure to Latin America.

The main question investors face is whether the latest crisis could be contained within Brazil or whether it would spread to other emerging markets, sparking off a new wave of a global economic melt-down.

While few perceive Brazil as posing the same threat as Russia, most investors are convinced that there is no quick fix to Brazil's crisis.

Glenn Davies at Credit Lyonnais argued that Brazil should have devalued by about 30 per cent, which would have kept investors in the country by making it too expensive to shift into dollars, and allow Brazil to lower interest rates to a level that would boost domestic demand.

"The fact that Brazil has not done enough puts pressure on other emerging markets in Latin America," he said, but it could help other countries, especially in eastern Europe. "These countries have weathered the Russian crisis and had a tremendous start this year," said Mr Davies.

"People did not believe Wednesday's devaluation was sufficient, which meant interest rates had to stay high [in order to compensate investors for currency risk]. This takes us back to square one. Brazil has now got the worst of two worlds," said Jeremy Hawkins at Bank of America.

Abbey National raises €2bn

NEW ISSUES

By Khozem Merchant

Brazil was an unwelcome backdrop to the new issues market yesterday, ensuring only highly rated credits came to the market. Issuance was confined to safe names and five-year and 10-year credit spreads remained stable.

Abbey National, the UK bank, launched one of the biggest ever private-sector international bonds. The three-year €2bn floating-rate note by the UK's fifth biggest bank was priced to yield euribor plus four basis points.

The bank is one of the UK's most regular visitors to the international debt market and second only to Deutsche Bank in Europe by volume of private-sector issuance.

Abbey National issued debt totalling £4.6bn last year. A $1bn FRN note matures in a few weeks time.

The bank has a strong UK profile and negligible exposure to emerging market risk. This enhanced the bond's appeal, said Barclays Capital, which lead-managed the issue, the first euro-denominated offering by a UK financial group this year.

Portugal launched a 10-year €1.5bn bond underwritten by a syndicate headed by ABN Amro, BNP and Caixa, a Portuguese bank. The issue will be increased to €5bn through auctions starting next month. The bond was priced to yield 25 basis points over 10-year bunds and 14 basis points over the OAT curve. The issue was trading two basis points below comparable Spanish debt.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Federal Home Loan Banks	3bn	4.875#(i)	99.906R	Jan 2002	0.075R	+39(4%Dec00)	Barclays/Salomon SB
Bertelsmann US Finance	200	5.375	99.375R	Jan 2004	0.325R	+89(4¼Nov03)	Lehman Brothers
EUROS(e)							
Abbey Natl Trsy Services‡	2bn	(a)	99.927	Feb 2003	0.10	-	Barclays Capital
Republic of Portugal	1.5bn	3.95(s)	100.187R	Jul 2009	0.225R	+25(3¾Jan09)	ABN Amro/BNP/CGD
Ned Waterschapsbank(f)	300	4.00	99.856R	Feb 2009	0.325R	+25(f)	Crédit Agricole Indosuez
CRH(b,f)	210	5.00	106.432R	Apr 2008	0.35R	+38(5¼Apr08)	CDC Marchés
STERLING							
National Grid Company plc	450	5.875	99.708R	Feb 2024	0.625R	+140(8Jun21)	Dresdner KB
SWISS FRANCS							
Ned Waterschapsbank	300	3.00	102.125	Feb 2009	2.75	-	Warburg Dillon Read

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Euribor flat. b) Fungible with €2.3bn. Plus 4.905% accrued. e) Spread relates to German govt bonds unless stated. f) Spread re French govt bonds. i) Over interpolated yield. l) Long 1st coupon. s) Short 1st coupon.

Croatia is to launch its first euro-denominated bond, probably for €250m with a maturity of either five or seven years. Croatia has issued in several euro-legacy currencies and the new bond is likely to be launched towards the end of February. It will be lead-managed by Credit Suisse First Boston and Dresdner Kleinwort Benson.

The launch may be affected by the general nervousness surrounding emerging market debt. Two of China's most prominent financial institutions have put plans for global bond issues on hold due to uncertainty following the bankruptcy of Gitic, the government-backed investment company, which has announced that it would file for bankruptcy.

Bertelsman, Europe's largest media company and a rare visitor to the debt market, launched a $200m five-year bond. The deal was priced to yield 89 basis points over the five-year Treasury. Bertelsman has an implied single A debt rating.

National Grid offered a 25-year £450m bond, the largest long-dated sterling issue. Bankers said the bond attracted 40 investors, double the expected number of tickets. National Grid recently became the second UK utility to announce an expansion into the US, with a $3bn agreed bid for New England Electric System.

There has been a rush of long-dated deals this year as issuers try to lock in a low cost of borrowing. The fall in gilt yields has encouraged issues of long-dated bonds.

SFA shuts another trading firm

By Vincent Boland and Jane Martinson

The Securities and Futures Authority, which regulates UK futures and options, has shut down another firm trading in complex derivatives instruments after one of its clients lost £500,000, in the second case of its type in less than a month.

International Futures Corporation, a London-based firm that carried out "back-to-back" trades – matching identical trades between clients – in foreign exchange and exchange-traded derivatives, was closed earlier this week after the client lost the money trading in options on the Dax, the German stock market index, the SFA said.

Its closure follows that of Griffin Trading, which was shut down just before Christmas along with a sister firm, GLH (Derivatives), after John Park, an independent trader, lost £6.2m on German bund futures contracts.

Both the Griffin and IFC losses occurred in electronic trading on Eurex, Europe's biggest derivatives market. The collapse of Griffin has left at least 50 other independent traders, members of the London International Financial Futures and Options Exchange, unable to trade because their assets at the firm were frozen.

The SFA said IFC had an overall £200,000 shortfall which would hit about 500 clients, most of whom were individuals.

IFC was authorised on April 1 last year following a change in regulations governing futures and foreign exchange traders. Kevin Fane-Hervey, senior executive officer and finance officer, did not return telephone calls last night.

GOVERNMENT DEBT SIGNAL FOR EMU

Hungary in auction of 10-year bonds

By Kester Eddy in Budapest

Hungary yesterday became the first country in post-Communist central and eastern Europe to issue 10-year bonds, timing its auction of Ft12.5bn of new paper to coincide with a sharp rebound in its domestic bond market.

Officials and analysts said the issue, the first of what is expected to be a quarterly auction by the Hungarian state debt management agency (AKK), attracted bids for up to six times the amount on offer, and was seen as a ground-breaking move that could be followed by other governments in the region.

Until now Hungary's longest dated government bonds were of five-year maturity, but officials were known to be keen to extend the yield curve both to provide a greater range of options for investors and to restructure the country's debt profile.

"This is a very positive development," said Zoltan Torok at Raiffeisen Securities in Budapest. "It lengthens the yield curve and is also an important signal for European monetary union, so it is a sign of convergence. With lower inflation there is demand for longer-dated paper from domestic and foreign investors."

Hungary is in the front rank of countries from the region likely to join the European Union. It also appears to be winning the battle against inflation.

The National Bank of Hungary forecasts average 1999 inflation will be "under 10 per cent" and 8 to 9 per cent by December, although some analysts estimate it could reach single figures much earlier.

The AKK had intended to issue 10-year bonds last autumn, but the Russian financial crisis forced it to postpone the initiative. Brazil's de facto devaluation of the Real on Wednesday, which sent emerging bond markets into a tail-spin, again threatened to undermine the issue, but the market's rebound yesterday allowed the auction to proceed smoothly.

Sentiment was also helped by a drop of two percentage points in the value of the forint on Wednesday within its intervention band, although the currency recovered slightly yesterday.

The issue of 10-year bonds caps a period of rapid development in the Hungarian government bond market, which began with an economic stabilisation package in April 1995 by Lajos Bokros, the former finance minister. Since then yields have fallen sharply, from 31.3 per cent on one-year Treasury bills to about 15 per cent.

Foreign investors are not allowed to buy bonds with maturities of less than one year, to prevent speculative investment. But foreign buying of longer-dated Hungarian government bonds has increased, peaking at Ft407bn, or about 17 per cent of publicly-issued debt, in mid-1998.

The total fell to Ft143bn after the Russian crisis but has rebounded to more than Ft300bn.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Jan 14	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	107.2701	4.86	+0.05	+0.22	+0.48	−0.30
	08/08	8.750	125.8945	5.27	+0.02	+0.23	+0.50	−0.45
Austria	07/00	5.875	104.0500	3.04	+0.01	−0.15	−0.24	−1.10
	01/08	5.000	106.8100	3.85	−0.02	−0.11	−0.18	−1.30
Belgium	01/00	4.000	101.0100	2.96	−0.03	−0.08	−0.16	−7.10
	03/08	5.750	113.9800	3.91	-	−0.06	−0.14	−1.23
Canada	12/00	6.000	100.5400	4.89	−0.01	−0.03	+0.03	−0.08
	06/08	6.000	107.9500	4.93	−0.01	−0.02	+0.07	−0.34
Denmark	11/00	9.000	109.4200	3.54	−0.05	−0.04	−0.34	−0.70
	11/07	7.000	121.5300	4.05	−0.05	-	−0.19	−1.33
Finland	06/00	4.000	101.3580	3.60	-	−0.10	+0.26	−0.74
	04/08	6.000	116.0500	3.90	+0.02	−0.01	−0.15	−1.24
France	07/00	4.000	101.4600	2.96	−0.03	−0.10	−0.19	−1.82
	10/05	7.750	125.5800	3.44	−0.02	−0.09	−0.14	−1.30
	10/08	8.500	138.2500	3.76	−0.02	−0.04	−0.13	−1.31
	04/29	5.500	113.0800	4.68	+0.01	+0.02	−0.05	−0.93
Germany	06/00	4.000	101.4000	2.98	-	−0.07	−0.20	−0.92
	10/05	6.500	117.5800	3.52	−0.03	−0.09	−0.18	−1.28
	07/08	4.750	108.1000	3.72	−0.02	−0.07	−0.13	−1.33
	01/28	5.625	114.8800	4.99	-	+0.02	−0.05	−0.93
Greece	03/00	9.800	99.4500	10.26	−0.19	+0.25	+0.01	−5.44
	03/08	8.600	113.9578	6.55	−0.08	+0.18	−0.58	−4.32
Ireland	10/01	6.500	108.8500	3.10	−0.05	−0.08	−0.20	−1.51
	08/08	6.000	116.5000	3.98	−0.05	−0.04	−0.13	−1.40
Italy	04/01	4.500	103.0100	3.08	−0.01	−0.03	−0.17	−1.82
	07/03	4.500	104.7800	3.34	−0.01	−0.03	−0.07	−1.59
	05/08	5.000	108.3500	3.92	-	+0.03	−0.03	−1.44
	11/27	6.500	125.9100	4.82	−0.02	+0.09	−0.07	−1.04
Japan	12/00	6.900	112.0120	0.57	−0.05	−0.01	+0.07	−0.01
	12/03	4.100	113.9370	1.17	−0.07	−0.01	+0.23	−0.05
	06/08	1.800	101.0900	1.67	−0.06	-	+0.37	-
	03/18	2.700	103.0710	2.50	−0.03	+0.07	+0.35	-
Netherlands	05/00	9.000	107.6100	3.00	−0.02	−0.09	−0.19	−1.03
	07/08	5.250	111.3400	3.80	−0.04	−0.09	−0.18	−1.22
New Zealand	02/01	8.000	105.2981	5.23	+0.03	+0.08	+0.37	−2.15
	07/09	7.000	110.7429	5.63	−0.01	+0.06	+0.34	−0.99
Norway	05/01	7.000	103.2500	5.47	+0.02	−0.18	−2.18	+1.21
	01/07	6.750	110.7500	5.08	+0.04	−0.04	−0.20	−0.22
Portugal	03/00	5.375	102.5300	3.13	−0.03	−0.10	−0.12	−1.37
	06/08	5.375	111.1200	3.94	−0.02	−0.03	−0.18	−1.43
Spain	04/00	6.750	104.4900	2.96	−0.04	−0.07	−0.09	−1.50
	01/08	6.000	115.5080	3.93	−0.03	−0.01	−0.13	−1.38
Sweden	05/00	10.250	108.5162	3.38	-	−0.03	−0.12	−1.46
	05/08	8.500	118.9380	4.01	−0.01	+0.01	−0.18	−1.56
Switzerland	06/00	4.500	104.3100	1.34	+0.02	−0.17	−0.07	−0.33
	01/08	4.250	115.8800	2.27	−0.02	−0.08	+0.04	−0.83
UK	11/01	7.000	108.3900	4.55	−0.03	−0.07	−0.18	−2.12
	12/03	6.500	109.8700	4.24	−0.01	−0.04	−0.17	−1.93
	10/08	9.000	137.4600	4.28	−0.02	−0.02	−0.20	−1.77
	12/28	6.000	128.5200	4.30	−0.04	+0.02	−0.07	−1.69
US	03/00	4.500	99.8493	4.59	−0.08	−0.10	+0.08	−0.73
	08/03	5.250	102.0057	4.61	−0.07	−0.10	+0.11	−0.84
	05/08	5.625	106.2851	4.78	−0.05	−0.07	+0.07	−0.67
	08/28	5.500	104.3458	5.21	−0.06	−0.10	+0.07	−0.56

London closing. * New York mid day. Source: Interactive Data/FT Information

Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

Jan 14	Bid Yield	Spread vs Euros	Spread vs T-Bonds		Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.28	+1.60	+0.60	Netherlands	3.84	+0.16	−0.84
Austria	3.97	+0.29	−0.71	New Zealand	5.64	+1.96	+0.96
Belgium	3.99	+0.31	−0.69	Norway	5.11	+1.43	+0.43
Canada	4.94	+1.26	+0.26	Portugal	3.99	+0.31	−0.69
Denmark	4.03	+0.35	−0.65	Spain	4.04	+0.36	−0.84
Finland	3.92	+0.24	−0.76	Sweden	4.04	+0.36	−0.64
France	3.76	+0.08	−0.92	Switzerland	2.37	−1.31	−2.31
Germany	3.68	-	−1.00	UK	4.26	+0.58	−0.42
Greece	6.48	+2.80	+1.80	US	4.68	+1.00	-
Ireland	3.94	+0.26	−0.74				
Italy	3.92	+0.24	−0.76				
Japan	1.69	−1.99	−2.99				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Jan 14	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd vs US
EUROPE								
Croatia	02/02	7.000	BBB−	92.4740	9.87	−1.13	+0.77	+5.36
Poland	07/04	7.125	BBB−	104.8627	6.04	−0.16	−0.18	+1.53
Russia	06/07	10.000	n/a	24.1500	45.85	+2.97	−1.85	+41.25
LATIN AMERICA								
Argentina	02/27	9.750	BB	74.8031	13.14	+0.37	+1.90	+8.07
Brazil	05/27	10.125	BB−	54.5905	18.63	+0.14	+3.29	+13.58
Mexico	05/26	11.500	BB	94.9001	12.14	+0.14	+1.19	+7.09
ASIA								
China	07/06	7.750	BBB+	102.1679	7.35	−0.45	+0.35	+2.77
Philippines	10/16	8.750	BB+	88.1234	10.21	+0.33	+1.00	+5.38
Thailand	04/07	7.750	BBB−	99.2793	7.87	−0.88	−0.15	+3.26
AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB−	103.6118	6.51	−0.54	+0.36	+2.03
South Africa	10/06	8.375	BB+	91.1278	10.06	−0.43	+0.92	+5.48
Turkey	09/07	10.000	B	89.1602	12.08	−0.19	+0.18	+7.45
BRADY BONDS								
Argentina	03/23	5.750	BB	64.6250	9.86	−0.02	+1.06	+4.88
Brazil	04/14	5.000	BB−	60.0000	16.45	+0.04	+2.47	+11.65
Mexico	12/19	6.250	BB	71.7500	9.35	+0.11	+0.68	+4.48
Venezuela	03/20	6.750	B+	62.0000	11.60	+0.19	−0.45	+6.68

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information.

BOND FUTURES AND OPTIONS

France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	112.52	112.84	+0.02	112.90	112.48	39,858	91,272

LONG TERM EURO BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls -	Puts Feb	Puts Mar	Puts -
110	2.84	2.97	-	0.02	0.16	-
111	1.89	2.13	-	0.07	0.32	-
112	1.06	1.39	-	0.24	0.58	-
113	0.45	0.83	-	0.63	1.01	-

Est. vol. total, Calls 1,925 Puts 2,275. Previous day's open int., Calls 12,552 Puts 14,285.

Germany

NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	116.90	117.32	+0.29	117.36	116.84	526,466	368,657

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Feb	Calls Mar	Puts Feb	Puts Mar
11700	0.39	0.74	0.19	0.54
11750	0.15	0.50	0.45	0.80
11800	0.04	0.32	0.84	1.12

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	109.43	109.84	+0.14	109.67	109.40	160,188	215,157

NOTIONAL LFB SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	102.08	+0.05	-	-	0	1065

NOTIONAL LFB SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	102.70	102.78	+0.26	102.75	102.70	75	610

Also traded on APT. All Open interest figs. are for previous day.

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	114.60	114.78	+0.13	114.87	114.47	11859	41101

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Feb	Calls Mar	Puts Feb	Puts Mar
11450	0.36	0.66	0.06	0.36
11500	0.10	0.41	0.32	0.63
11550	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 0

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

[illegible]

UK

NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

[illegible]

NOTIONAL UK GILT FUTURES (LIFFE) £100,000 100ths of 100%

[illegible]

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

[illegible]

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

[illegible]

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

[illegible]

Euro

€ BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	-	111.80	−0.35	-	-	-	227

US CORPORATE BONDS

[illegible]

NY latest. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

[illegible]

UK BONDS

FTSE Actuaries Government Securities

[illegible]

UK Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

INTERNATIONAL BONDS

Jan 14	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
EURO								
EIB	04/07	7.250	AAA	112.3880	5.35	−0.03	+0.18	+0.74
ABN Amro	06/07	7.125	AA−	105.2765	6.29	−0.03	+0.08	+1.68
Quebec	01/07	7.000	A+	107.4156	5.83	−0.03	+0.14	+1.22
[illegible]								

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CURRENCIES & MONEY

Calmer markets ponder real's future

MARKETS REPORT

By Alan Beattie

A tentative calm descended yesterday as most of Wednesday's knee-jerk movements in the world's currency markets were partially reversed.

Traders were relieved that the capital outflows from Brazil on Wednesday totalled only around $1bn, considerably more than on a normal day but far less than might be expected given the 8 per cent drop in the real.

The Brazilian currency even managed a mini-recovery for some of yesterday, climbing off R$1.32, the bottom of its new wide band. But later on it fell again. Standard and Poor's downgraded the rating for the Brazilian government's long-term debt, both real and foreign currency denominated, and Brazil's long-term foreign currency rating. This reawakened pessimism about the future for the new real band.

The real closed at the end of London bouncing along the bottom of its wide band at R$1.32. Persistent rumours that a floating currency, or further devaluation before adopting a currency board, were being planned deterred investors from rebuilding positions in the currency.

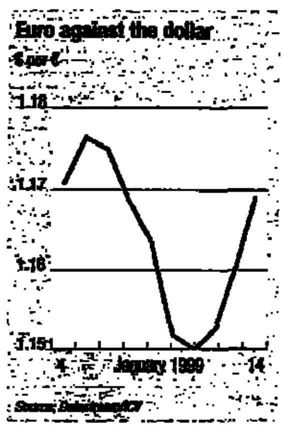
But while the future for the real itself looked distinctly shaky, the market seemed to accept that the stampede toward safe havens on Wednesday had been a little over done.

The beneficiaries of Wednesday's crisis lost some of their gains yesterday. The euro, having acquired safe haven status by default despite the exposure of German and Spanish banks to Brazil, sank back against the dollar. From a high of nearly $1.18 and a closing value of $1.170 on Wednesday, the euro was sinking towards the $1.165 level yesterday by the London close, around the value at which it started its life.

Meanwhile, currencies that had taken a battering after the announcement from Brazil began to regain some of their losses.

The Polish zloty, which had fallen around three per cent against the mid-point of its target currency basket on Wednesday, opened sharply higher yesterday and held most of its gains throughout the day.

At the daily central bank fixing it was just over 6 per cent higher than the mid-point. That was about halfway between its level before the crash and Wednesday's fix, when it fell to 4.5 per cent.



■ The post-mortems on the real and predictions for its future started in earnest yesterday in the breathing space granted by the quietening markets.

The calmer atmosphere did not by itself convince many that the last of the Brazilian problems were over, even if the new peg were to hold in the short term. Many recalled a similar halcyon period just after the Russian debt default was announced in August last year, shortly to be followed by a panicked flight away from most emerging markets and risky assets.

But Dominique Strauss-Kahn, the French finance minister, said that the Brazilian reforms differentiated it from Russia.

Meanwhile the influential Argentine daily newspaper La Nacion weighed in with its own advice, suggesting that Brazil should adopt an Argentine-style currency board, linking its money supply one-for-one to its dollar reserves.

Gene Frieda of the economic consultancy 4Cast in New York published a research note yesterday outlining Brazil's policy options. Although he also thought that a currency board was the best solution, he concluded that it was politically highly risky to propose an abrogation of control over monetary policy.

"The most likely outcome is an attempt to defend the current level with capital controls," Mr Frieda said.

Brazil's immediate problem was short term capital flight as domestic investors sought to take their money out of the country, he added. If holders of short term domestic debt prefer to take their money and run, draconian capital controls could be the only way to defend the wide band.

Mr Frieda said that capital controls were highly unlikely to be agreed by the International Monetary Fund. Brazil might therefore have to go it alone, he added.

■ POUND IN NEW YORK

Jan 14	—Latest—	– Prev. close –
£ spot	1.6535	1.6495
1 mth	1.6520	1.6480
3 mth	1.6490	1.6464
1 yr	1.6483	1.6450

■ OTHER CURRENCIES

Jan 14	£	$
Czech Rp	50.7455 - 50.8927	30.6120 - 30.8868
Hungary	359.257 - 359.679	216.720 - 216.870
Iran	4975.50 - 4973.10	3000.00 - 3000.00
Kuwait	0.5000 - 0.5007	0.3016 - 0.3019
Peru	5.4422 - 5.4731	3.2830 - 3.3000
Poland	5.8600 - 5.8877	3.5350 - 3.5500
Russia	37.3811 - 37.7309	22.5500 - 22.7500
U.A.E.	6.0884 - 6.0918	3.6728 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	19.5000	+0.0697	911 - 089	19.5159	19.4106	19.4531	2.9	19.3764	2.5	19.0726	2.2	103.3
Belgium*	(BFr)	57.1664	+0.2042	404 - 924	57.2130	56.9040	57.029	2.9	56.8041	2.5	55.9137	2.2	103.4
Denmark	(DKr)	10.5472	+0.0381	405 - 539	10.5586	10.5027	10.5275	2.2	10.4977	1.9	10.365	1.5	106.9
Finland*	(FM)	8.4258	+0.0301	220 - 296	8.4330	8.3870	8.4055	2.9	8.3724	2.5	8.2412	2.2	82.4
France*	(FFr)	9.2857	+0.0332	915 - 999	9.3034	9.2531	9.2734	2.9	9.2369	2.5	9.082	2.2	106.9
Germany*	(DM)	2.7717	+0.0099	704 - 729	2.7731	2.7647	2.7651	2.9	2.7542	2.5	2.711	2.2	104.8
Greece	(Dr)	460.529	+1.0230	343 - 715	462.831	458.404	462.691	-5.6	466.848	-5.3	480.883	-4.4	62.4
Ireland*	(I£)	1.1161	+0.0040	156 - 166	1.1170	1.1109	1.1134	2.9	1.1081	2.5	1.0917	2.2	95.5
Italy*	(L)	2743.93	+9.8100	268 - 517	2746.18	2731.34	2737.34	2.9	2728.54	2.5	2683.8	2.2	76.2
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria*	(Sch)	11.7805	+0.0031	578 - 630	11.8450	11.7409	11.7428	1.8	11.7081	1.8	11.5355	1.9	103.1
Belgium*	(BFr)	34.4771	+0.0088	697 - 844	34.7250	34.4200	34.4252	1.8	34.3237	1.8	33.8175	1.9	103.4
Denmark	(DKr)	6.3610	+0.0019	585 - 635	6.4064	6.3502	6.3548	1.2	6.3431	1.1	6.281	1.3	106.1
Finland*	(FM)	5.0815	+0.0013	805 - 827	5.1181	5.0731	5.0739	1.8	5.059	1.8	4.9844	1.9	81.8
France*	(FFr)	5.6062	+0.0014	050 - 074	5.6465	5.5969	5.5978	1.8	5.5813	1.8	5.499	1.9	105.5
Germany*	(DM)	1.6716	+0.0004	712 - 719	1.6836	1.6688	1.6691	1.8	1.6642	1.8	1.6396	1.9	104.4
Greece	(Dr)	277.745	-0.3050	700 - 790	280.000	277.360	279.3	-6.7	281.97	-6.1	290.845	-4.7	62.2
Ireland*	(I£)	1.4857	-0.0003	853 - 860	1.4981	1.4751	1.488	-1.8	1.4924	-1.8	1.5147	-2.0	-
Italy*	(L)	1654.86	+0.4200	451 - 521	1668.76	1652.11	1652.37	1.8	1647.49	1.8	1623.19	1.9	75.9
[illegible]													

WORLD INTEREST RATES

MONEY RATES

Jan 14	Over night	One month	Three mths	Six mths	One year	Lomb. Inter	Dis. rate	Repo rate
Euro-zone	3¼	3¼	3¼	[illegible]	[illegible]	-	3.00	3.00
Switzerland	[illegible]	1	[illegible]	[illegible]	[illegible]	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	4.50	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	5	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	4.78	4.79	4.80	4.83	-	-	-
Euro Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
BBA Euro Libor	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
Euro Euribor	-	3.191	3.163	3.121	3.083	-	-	-
EONIA	3.16	-	-	-	-	-	-	-
EURONIA	3.1542	-	-	-	-	-	-	-

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds)

INTERNATIONAL CURRENCY RATES

Jan 14	Short term	7 days notice	One month	Three months	Six months	One year
Euro	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 3	[illegible] - 3
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	6 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	1 - [illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible]	5 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	5 - [illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible] - 3	[illegible]	[illegible]	[illegible] - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice

■ THREE MONTH EURIBOR FUTURES (MATIF)Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.945	96.960	+0.015	96.960	96.945	14,736	34,548
Jun	97.110	97.120	+0.015	97.130	97.110	3,504	16,331

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.940	96.960	+0.015	96.965	96.930	37443	436237
Jun	97.100	97.130	+0.025	97.135	97.100	33233	425715
Sep	97.140	97.190	+0.030	97.190	97.140	33162	338848
Dec	96.870	96.895	+0.025	96.900	96.865	14172	210080

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

[illegible]

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
96875	0.110			0.025		
97000	0.060	0.210	0.295	0.100	0.080	0.105
97125	0.025			0.190		

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 2833 Puts 8478

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
94500	0.110	0.475	0.685	0.100	0.075	0.110
94625	0.060			0.175		
94750	0.030	0.300	0.505	0.270	0.150	0.180
94875	0.015			0.380		
95000	0.010	0.165	0.350	0.500	0.285	0.275
95125	0.005			0.620		

Est. vol. total, Calls 21175 Puts 14100. Previous day's open int., Calls 460629 Puts 478940

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Exeter Trust Limited	7.00	●Singer & Friedlander	6.00
Allied Irish Bank (GB)	6.00	Financial & Gen Bank	8.00	Smith & Williamson	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	Sun Bank	6.00
Banco Bilbao Vizcaya	6.00	Habib Bank AG Zurich	6.00	TSB	6.00
Bank of Cyprus	6.00	Heritable & Gen Inv Bk	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	C. Hoare & Co	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	●SG Hambros Bank & Trust	6.00	Whiteaway Laidlaw	6.00
Bank of Scotland	6.00	Hongkong & Shanghai	6.00	Yorkshire Bank	6.00
Barclays Bank	6.00	Investec Bank (UK) Ltd	6.00		
Brit Bk of Mid East	6.00	Julian Hodge Bank	6.00	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.00	●Leopold Joseph & Sons	6.00		
Citibank NA	6.00	Lloyds Bank	6.00		
Clydesdale Bank	6.00	Midland Bank	6.25		
The Co-operative Bank	6.00	NatWestminster	6.00		
Coutts & Co	6.00	●Rea Brothers	6.00		
Cyprus Popular Bank	6.25	Royal Bk of Scotland	6.25		
Duncan Lawrie	6.00	Scottish Widows Bank	6.75		

Analysts see mixed year for metals

By Gillian O'Connor, Mining Correspondent

In the first couple of weeks of 1999, metals prices have picked up on any news of production difficulties, but rallies have soon petered out. Here are some of the factors analysts expect to influence trading in individual metals over the full year.

● Aluminium. Stocks are said to be higher than the official figures suggest and most analysts are expecting an increased surplus this year. Producers are niggling at costs, but are reluctant to make big capacity cuts.

This is partly because many operating costs fall in line with metal prices (so there is little incentive to reduce output) and partly because closing capacity is very expensive.

Ernie Nutter of RBC Dominion Securities, which has the highest price forecast in our poll, argued that even modest world growth should leave the market in reasonable balance. But Neil Buxton of Metal Bulletin Research described himself as "particularly negative" on aluminium.

● Copper. The surplus is expected to increase over the year because, although some significant cuts are expected eventually, they will be effectively neutralised by new capacity coming into production.

"Copper's case looks almost hopeless," said Nick Moore at Flemings Global Mining. Prices are already at their lowest in real terms since before the second world war, said Kevin Norish of Barclays Capital.

But most analysts expect a further dip in prices – of perhaps a tenth – before recovery begins later this year or in the first half of next.

● Lead. Stocks are low but so is demand, particularly from Asia. Prices are likely to be influenced by the other metals.

● Nickel. New low-cost production methods being introduced to some Australian mines are getting a lot of attention. But Flemings argued that matters are the drastic cuts in purchases for use in making stainless steel, and big cuts by nickel producers will be needed to stem the fall in prices. Russian exports remain high.

● Tin. Analysts struggled to avoid the word "manipulation" in discussing tin stocks, but agreed that there were a limited number of suppliers. "Finely balanced," said Flemings.

● Zinc. As yet stocks have been falling without any effect on the price. John Lydall of First Marathon Securities suggested that stocks are getting close to "pinch point".

Barclays Capital, however, argued that any rise in price would prompt an increase in Chinese exports.

● Gold. Just another commodity or still a hedge against inflation and crisis? The metal's performance is increasingly encouraging analysts to plump for the first description. Fear of further central bank sales remains a worry.

● Platinum. Russian supplies are expected to provide their normal fodder for rumour-mongers.

● Silver. Substantial purchases by Warren Buffett, the well-known American investor, were behind last year's rise to $7.80 an ounce.

Kevin Norish of Barclays Capital said demand was likely to stay sluggish this year: Asian jewellery demand and industrial use (in photographic film) are both expected to stay depressed.

Poll offers little comfort for producers

Many analysts reckon the metal markets' turning point will only come when some of the big companies make production cuts

By Gillian O'Connor

This year's Financial Times poll of metals analysts contains little comfort for producers. It suggests that average 1999 prices of all the base metals, except zinc, could be even lower than the depressed 1998 averages.

True, most analysts are predicting some recovery from present levels – prices are bumping along near their five-year, or in some cases 11-year, lows – but they are forecasting only modest rises.

The poll was conducted before this week's Brazilian devaluation, which is likely to have some negative impact on demand and prices, although it is too early to quantify them.

However, even before this new threat to economic growth emerged, several analysts were already expecting to revise their forecasts downwards over the next few weeks – unless companies make significant capacity shut-downs. Forecasts for precious metals are mixed.

The analysts' caution is hardly surprising. This time last year most of them were predicting lower average prices for most of the metals, because of the Asian economic collapse.

The surge in Asian demand for metals in the mid-1990s had diverted attention from existing worries about the future supply surpluses likely to result from the mining companies' expansion plans.

Asia's collapse, which began in 1997, choked back demand in a region that accounts for about a third of world consumption of metals such as copper and nickel, but the expansion projects were already under way. So prices plunged.

Forecasters got the market's direction right, but underestimated the severity of the price falls. In the event, the average nickel price dropped by a third on the year, copper was 27 per cent down and zinc off 22 per cent. And aluminium, which nearly half the analysts expected to produce a price rise, fell by 15 per cent.

Every single forecast for aluminium, nickel and zinc was too high. Nickel forecasts, for example, ranged from 370 US cents per pound to 260 cents; the actual average was just 210 cents.

In short, it was not a good year to be an analyst, particularly an optimistic one. So all credit to them for putting their heads on the block again now.

Merrill Lynch's distinctly guarded optimism is typical of the responses to this year's poll: "What we may be looking at in base metals is the beginning of the end of 'the worst of times'. However, a significant recovery is not imminent."

Many of our panellists made the point that, although prospects differ, it was unlikely that any of the base metals would make much progress if the others were still falling.

Many forecasters reckon that the turning point will only come when some of the big companies make production cuts, with copper and nickel output particularly in need of pruning.

However, they admit prices could have further to fall before the turn: many of the biggest companies can afford to wait for their competitors' nerves to crack first; and since traders are already assuming that there will be production cuts, their actual occurrence may do no more than stabilise prices.

Other analysts argue that what matters is the timing of the Asian recovery: demand, not supply, is the key. Asian metal stocks have been run right down, points out Rhona O'Connell of T. Hoare, so any recovery could produce a disproportionate increase in demand as stockpiles are built up again.

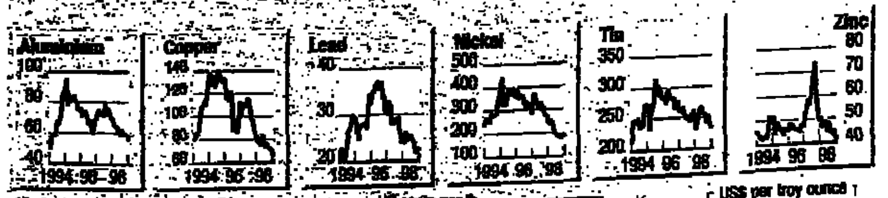
However, Steve Strongin and Colin Fenton at Goldman Sachs Research Group suggest that reliance on an Asian recovery is simplistic.

"The major problem for the base metals markets originated in excessive capital investment into Asia in the early 1990s, which was primarily directed towards large-scale infrastructure projects. As Asia's economies began to falter in 1997, many of these projects were put on hold or cancelled, and new investment plummeted, causing demand for metals to decline quickly . . . This investment activity will not be restored by a simple rebound in the global or regional economy. New metals demand growth will have to come from different sectors in different geographic regions."

Goldman sees construction activity in China, Latin America and eastern Europe as a possible trigger to a metals recovery. (Remember, though, that the analysts were making their predictions before the Brazilian shock). But Messrs Strongin and Fenton reckon it could be 12 to 15 months before any recovery occurs.

They also distinguish between the prospects for "consumer-oriented metals", such as aluminium, which are mainly used in North America and Europe, and the "capital-intensive metals", such as copper, involved in the Asian boom.

Financial Times poll: forecasts of average 1999 metals prices



All charts cash prices (US¢ per lb)

Firm	Aluminium	Copper	Lead	Nickel	Tin	Zinc	Gold	Platinum	Silver
	US cents per lb						US$ per troy ounce		
ABN Amro	66	72	25	230	255	47	320	380	5.2
Barclays Capital	58.7	71.6	21.7	200	—	45.4	—	—	—
Bell Securities	58	70	22	205	241	45	290	360	5.1
Brandeis	60	70	22	225	245	43	—	—	—
Crédit Lyonnais Rouse	58	72	22	195	252	49	—	—	—
Deutsche Bank	58	78	23	200	240	45	290	390	5
Economist Intelligence Unit	57.5	71.5	22.5	228	255	46	300	—	—
First Marathon Securities	58	68	25	210	—	—	310	375	5.5
Flemings Global Mining	58	68	22	200	230	48	310	370	6.25
Goldman Sachs	60	70	22	200	—	45	310	—	5
GSR	59	63.5	22.7	191	245	46	—	—	—
T Hoare	62	72	23	200	—	50	320	400	5.5
HSBC Securities	62	75.5	25	240	240	50	310	380	5.5
ING Barings	60	70	23	181	249	45	290	375	5
Macquarie Bank	63.5	71.5	23.5	218	257	48	310	370	5.25
Merrill Lynch	65	76	25	210	260	48	310	370	5.25
Metal Bulletin Research	55	78	22	191	249	45	—	—	—
JP Morgan	58	66	—	215	—	48	280	—	5.8
Paribas	60	71	24	180	226	42	325	375	—
RBC Dominion Securities	70	75	25	209	260	60	390	425	5.5
Rudolf Wolff	57.8	69	21	186	227	44	—	—	—
Warburg Dillon Read	60	70	23	220	240	47	290	350	5.33
Average of forecasts for 1999	[illegible]	70.6	23.1	205.5	245.7	46.9	303.8	378.5	5.3
Price at end of 1998	56.4	66.6	22.8	181	234	41.8	288	360	5.03
Average for 1998	61.5	75	24	209	251	46	294	374	5.6
Average for 1997	72.5	103	28.3	314	256	59.7	331	395	4.9
Average for 1996	68.3	104	35.1	346	280	46.5	388	399	5.19

There are 2204 lbs per tonne. To convert cents per lb to $ per tonne, multiply by 22.04

Aluminium weak after Brazilian devaluation

MARKETS REPORT

By Gillian O'Connor and Caroline Fossey

Prices of most metals drifted down on the London Metal Exchange, with only nickel and zinc holding up. The worry for copper is that a sharp increase in stocks is expected over the next few weeks, mainly from Chile.

Aluminium continued weak in the wake of the Brazilian devaluation. Brazil is a large producer and will become more competitive as a result of the devaluation, but analysts say it has little scope for boosting production, since Brazilian smelters are already operating at virtually full capacity.

Traders were also reassured by an interview with Paul O'Neill of Alcoa in Bridge News, in which he denied any immediate plans to bring the company's idle smelter capacity back into production, because doing so would "knock the market down substantially". But Mr O'Neill also said he did not expect any of his competitors to reduce their aluminium production in the near term. This, with further rises in LME stocks, gave the bears the upper hand.

In the oil sector, with benchmark February Brent expiring at the end of trading yesterday, brokers were more interested in the March contract. The price fell to $10.68 a barrel on the International Petroleum Exchange before rallying to $10.89 in late trading.

The US is planning to allow Iraq to sell as much oil as it wants so it can buy food and medicine.

France has called on the United Nations to end the embargo on Iraq. Oil companies are keen to move in, believing Iraq offers the best opportunities since the break-up of the Soviet Union but the US insisted the embargo would not end until Iraq's weapons of mass destruction were controlled.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1219-20	1227.5-28
Previous	1230-1	1236-8
High/low		1241/1222
AM Official	1225-6	1231-2
Kerb close		1226-27
Open int.	292,085	
Total daily turnover	44,690	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1020-25	1050-55
Previous	1032-7	1062-5
High/low		1060/1055
AM Official	1028-30	1059-60
Kerb close		1054-56
Open int.	7,526	
Total daily turnover	1,984	

■ LEAD ($ per tonne): [illegible]

■ NICKEL ($ per tonne): [illegible]

■ TIN ($ per tonne): [illegible]

■ ZINC, special high grade ($ per tonne): [illegible]

■ COPPER, grade A ($ per tonne): [illegible]

■ LME AM Official £/$ rate: [illegible]

■ HIGH GRADE COPPER (COMEX): [illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild): [illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	287.4	+0.4	287.6	285.8	53,194	83,498
Apr	289.5	+0.4	289.8	288.0	2,400	25,425
Jun	291.4	+0.4	291.6	290.0	298	16,807

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.): [illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.): [illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.): [illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel): [illegible]

■ CRUDE OIL IPE ($/barrel): [illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.): [illegible]

■ GAS OIL IPE ($/tonne): [illegible]

■ NATURAL GAS IPE: [illegible]

■ NATURAL GAS NYMEX: [illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.): [illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	74.50	–1.10	–	–	–	135
Mar	75.35	–0.35	75.30	75.25	133	2,972
May	77.40	–0.30	77.50	77.10	181	3,615

■ WHEAT CBT; ■ MAIZE CBT; ■ BARLEY LIFFE; ■ SOYABEANS CBT; ■ SOYABEAN OIL CBT; ■ SOYABEAN MEAL CBT; ■ POTATOES LIFFE; ■ FREIGHT (BIFFEX) LIFFE: [illegible]

PULP AND PAPER

■ PULPEX OMLX: [illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	921	+2	925	913	1,557	54,226
May	941	+2	945	933	3,947	29,114
Jul	961	+2	963	954	95	13,130

■ COCOA CSCE; ■ COCOA (ICCO); ■ COFFEE LIFFE; ■ COFFEE 'C' CSCE; ■ COFFEE (ICO); ■ WHITE SUGAR LIFFE; ■ SUGAR '11' CSCE; ■ COTTON NYCE: [illegible]

Dec	63.45	+0.11	63.65	63.12	950	12,510
Mar	64.68	+0.18	64.75	64.40	70	1,348
Total					11,461	88,324

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	99.95	–0.50	100.50	99.35	2,362	17,978
May	100.50	–0.15	100.80	99.75	336	4,105
Jul	100.80	–0.45	101.20	100.25	268	2,464
Sep	101.40	–0.35	101.75	101.00	10	428
Nov	102.40	+0.15	103.25	101.75	10	551
Jan	103.40	–	103.75	103.75	–	83
Total					2,976	25,583

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jan 14	Jan 13	month ago	year ago
1511.3	1506.7	1490.6	1729.5

■ CRB Futures (Base: 1967 = 100)

Jan 13	Jan 12	month ago	year ago
194.15	196.62	–	–

■ GSCI Spot (Base: 1970 = 100)

Jan 13	Jan 12	month ago	year ago
135.62	138.42	132.99	169.03

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+7,875	to	661,200
Aluminium alloy	+20	to	95,660
Copper	+825	to	604,425
Lead	–675	to	106,975
Nickel	–324	to	65,282
Zinc	+350	to	316,050
Tin	–35	to	8,250

Wool from Mallett & Co: [illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	62.325	+0.175	62.375	61.950	12,207	37,003
Apr	65.425	+0.500	65.450	64.650	6,424	37,965
Jun	64.475	+0.525	64.550	63.825	2,719	19,945
						11,064
						5,174
						2,214
Total						114,402

■ LEAN HOGS CME (40,000lbs; cents/lbs): [illegible] … 14,285; 12,947; 7,030; 3,588; 3,224; 3,022; Total 46,406

■ PORK BELLIES CME (40,000lbs; cents/lb): [illegible] … 3,902; 1,116; 838; 735; Total 6,848

LONDON TRADED OPTIONS

■ ALUMINIUM (99.7%) LME; ■ COPPER (Grade A) LME; ■ COCOA LIFFE; ■ COFFEE LIFFE; ■ BRENT CRUDE IPE: [illegible]

LONDON SPOT MARKETS

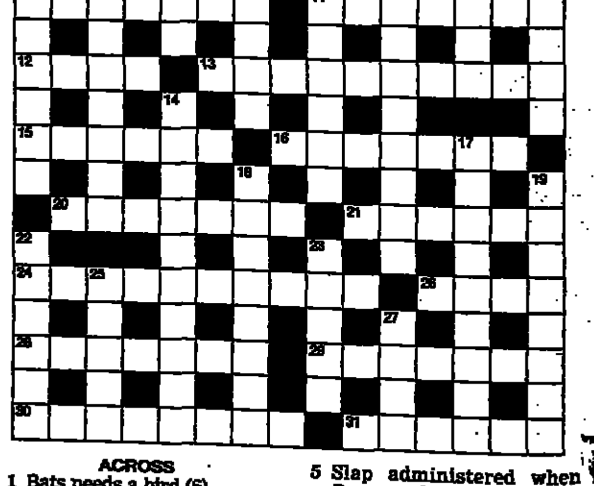
■ CRUDE OIL FOB (per barrel); ■ OIL PRODUCTS NWE prompt delivery CIF (tonne); ■ NATURAL GAS (Pence/therm); ■ OTHER: [illegible]

JOTTER PAD

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

CROSSWORD

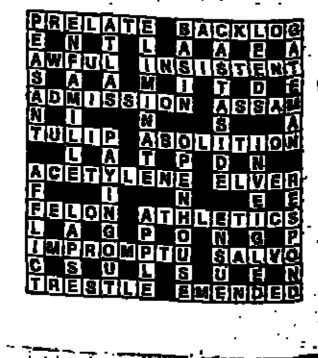
No.9,888 Set by BATS



ACROSS
1 Bats needs a bird (6)
4 Bats needs drugs (8)
10 An elephant shouldn't have confused sea and main (7)
11 Make bacon and eggs, perhaps? (7)
12 Tartan clothing concealing a pound (4)
13 You've just proved this clue is not intolerable (10)
15 Palm grass, brown (6)
16 Fruit Bats (7)
20 Broken's broken for Bats (7)
21 Copper has the last word about good judgment (6)
24 Redressing required when medicine's a non-starter (10)
26 A taste of tasting wine (4)
28 Habit set in stone an illusion? (7)
29 Ready to kiss Penny on trip (7)
30 Long journeys with headless corpse on ship (awful, yes) (8)
31 Doesn't swill port (6)

DOWN
1 Bats wants something for Christmas (8)
2 Painter of Venice and of Paris to put Venetian feature first (9)
3 Some colossal bones (4)
5 Slap administered when Rover and pal snap (6)
6 Shade needed for mongrel to bring forth young (10)
7 The weight of fruit, say? (5)
8 In ancient Greece or Egypt the choice is endless (6)
9 Bats all but Bats' (5)
14 Defender follows, then retreats (10)
17 Acknowledging notes on letter (9)
18 Lofty takes poor Ruby outside in a savage way (8)
19 Bats as a loose door? (8)
22 Lyrical recitative and a Parisian evening given up for love (6)
23 Bats is twisted? (5)
25 Bats needs something to go on (5)
27 Fruit Bats (4)

Solution 9,887



صكذا من الاصل

هدية من الأهرام

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

Antares Investment Management Ltd

CAYMAN ISLANDS (REGULATED)(**)

MFS Meridian Funds

Marshall Wace Asset Management Limited

Masters International Advisors

Montgomery Emerging Markets Fund Ltd

GUERNSEY (FSA RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

Aberdeen Prolific International Fund Plc

Global Asset Management (GAM)

Christows Investments Plc

Lazard Investment Funds Ltd

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

producers

devaluation

CROSSWORD

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Continued

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Continued

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

INSURANCE

[illegible]

INSURANCE - Continued

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
Approved by the Inland Revenue								
Aberdeen Emg Asia	♣	23½	-1	*38½	13½	-	28.6	17.8
Warrants		6½	—	*7⅛	0½	-	-	-
Atlantic Japan Gwth Fd.		228½	-¼	282	158	-	310.3	26.4
Warrants		5¾	-¼	41	1¾	-	-	-
Baring Emrg Euro	♣	87¾	-¼	118	55	-	113.1	22.4
Warrants		44½	+¾	67½	29¼	-	-	-
Brazilian IT		34¼	—	61¾	19¼	3.2	-	-
Warrants		8¼	—	33½	7	-	-	-
Central Euro Gwth	♣	40¾	-½	68¼	26¼	-	53.8	24.9
Warrants		9¾	—	11¾	0½	-	-	-
East German		11¼	—	13	5½	-	21.7	48.2
Egypt Trust $		806	+4½	875	567¼	1.3	-	-
F&C Latin American $	♣	57¼	-¼	128¼	46	-	77.8	26.5
Warrants		25½	-¼	78	16¼	-	-	-
Fst Russian Frontiers $	♣	179½	+½	1100	160	-	439.9	59.2
Warrants		37½	-	585	30	-	-	-
Warrants B		28	-	525	15	-	-	-
Five Arrows Chile		92	-2¼	111½	85	-	-	-
Warrants		1	-	18¼	0½	-	122.6	25.0
Govett Asian Smlr	♣	69¼	-¼	102	31	-	-	-
Hambros Smlr Asian Cos.		28¼xd	-¼	38½	15½	1.0	102.2	31.6
Warrants		3¼	-¼	7½	1½	0.6	38.6	26.8
Indonesia Fund		128½	—	145	120	-	-	-
Warrants		7¼	—	*23	5	-	-	-
Israel Fund $		46¼	-¼	63¼	39¼	-	56.6	18.2
Korea-Europe $	♣	199¼	-12	222½	90	0.6	267.2	25.3
Korea Liberal $		118	-5	131	73¼	-	186.0	36.6
Warrants		16¼		15¼	5	-	-	-
Lazard Birla India	♣	30¼	-¼	39¼	22½	-	-	-
Warrants		4½	-½	8	2¼	-	-	-
Schroder Korea Fd $	♣	348	-22¼	375¼	141½	-	-	-
Warrants $		3¼	—	15¼	2¼	-	-	-

Net asset values supplied by BT Alex Brown International as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
AIM Distribution		79	—	88	78	5.7	-	-
Aberdeen VCT	♣F	77½	—	108	65	1.8	-	-
Advent 2 VCT	♣	76½	—	102	73	5.0	-	-
BG Endow Fund I		165	—	178½	143½	-	-	-
BG Endow Fund II		108	—	122½	98	-	-	-

MEDIA - Continued

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Princedale	♣†	8½	—	25½	6	19	4.4	-
Quarto		57½	—	115½	51½	-	9.8	4.1
8¾p Pf		108	—	115	97	-	10.1	-
Reed Int	†	479	-3¼	*730	415¾	2,781	3.9	52.0
Reuters	♣†	785	+14½	798	412	12,272	2.1	28.1
SKD Media		15¼xr	—	*22½	8¼	128	-	-
Saatchi & Saatchi	♣	132½	-2½	185	96½	205	1.1	18.8
Sanctuary		28½	+1¼	28¼	17	258	4.3	11.3
Scottish Media	♣†	720	—	830	604½	15	4.1	14.8
Scottish Radio	♣	551xd	+3½	577	392½	-	2.8	17.6
Ftr Sleepy Kids see SKD Media								
Southnews	†	389	-1	590	307½	-	3.3	11.4
Sportsworld Media		72½	—	*130¼	61½	585	-	ϕ
Sterling Pub	†	15	—	25½	10	19	4.4	7.6
Tarsus Grp		69½	—	79½	37½	-	-	-
Taylor & Francis		301½	—	303½	204½	-	1.2	36.2
Taylor Nelson Sofres	♣	89½	-1	145½	65½	680	1.3	30.8
Television Corpn	♣	235	—	270	170	-	2.0	17.6
Tempus	♣†	184½	—	288½	164½	-	1.9	18.0
Thomson CS		1457¼	-31¾	1928	1174¾	-	3.3	30.8
Trinity	†	440	-1½	573	396	388	3.9	18.2
Ulster TV	†	189	—	*245	183	1	4.0	15.7
Utd News & Media	♣N	491	-30½	*915	454½	1,186	5.0	11.3
VCI	♣	117½	—	134½	47½	-	8.4	16.7
VTR	DV	90	—	127½	89½	-	6.7	7.0
WPP	♣‡	382½	-14¼	488	200	1,840	0.6	23.1
Wickenmark	♣	29½	—	54½	27	-	3.7	8.1
Wilmington	♣	188	—	206	126½	-	1.0	29.4

OIL EXPLORATION & PRODUCTION

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Abbot	♣†	160½	+18	221½	132	2,287	2.2	18.5
Alliance Res	♣	8½	-1½	*27½	8½	100	-	-
Aminex	♣	15	—	68½	13½	-	-	-
Anna Petlm		5	—	27½	3½	-	-	ϕ
Aztech Pobm		54½	-1¼	*184½	34½	-	-	-
Black Sea Energy CS		1½	+1	71½	5¾	-	-	-
Brit Borneo	♣	108	-½	400	88½	13,036	3.2	34.2
Bula Res	♣	0½	—	1½	0½	40	-	-
Cairn Energy	♣	82½	-2½	457½	82½	2,874	-	34.0
Causeway Energy CS	♥	23¼	—	49¼	19¼	-	-	-
Central Pacific A$	♥	130½	-5¼	289¾	130½	-	-	-
Copper Resources A$	♥	3¾	-¼	14½	2½	-	-	-
Dana Petroleum	♣	6¼	+¼	32½	4½	92	-	ϕ
Dominion Energy		4½	—	18	3	-	-	-

PROPERTY - Continued

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Lands Improvements	♣	89½	—	113½	84½	-	6.6	-
Land Secs	†	781½	-9	1190	730½	1,803	4.6	19.8
10pc Deb 2025		£187½	+1	£189½	£147½	-	6.0	-
10pc 1st Mtg '27		£170½	+1	£172½	£140½	-	5.9	-
10pc 1st Mtg Db '30		£172½xd	+1	£175½	£143½	-	5.8	-
Land Lease A$	♥§	834¼	+14¾	*817½	549	-	2.4	33.9
Lon & Assoc Prps	♣	25½	+½	36¼	20¼	-	4.4	10.8
Lon Merchant	♣¼	119½xd	—	141½	105½	111	8.0	14.9
7¼pc Cnv '00/05		£117½	—	£141½	£105½	-	6.6	-
Dfd		78	—	98	75½	-	-	-
London Secs		88	—	110	87	-	2.8	7.0

SUPPORT SERVICES - Continued

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
JBA	♣	190	—	1257½	157½	72	3.4	43.1
Johnson Service	†	281½	-1	330	180	28	6.2	9.1
Kalamazoo Cmptr	♣	39½	—	63½	30½	3	-	-
Kewill Syst	♣†	1450xd	+70	1450	615	-	0.9	30.9
Laser-Scan		14½	—	24½	13	-	-	-
Latchways	♣†	305	—	341	155	-	2.8	21.7
Lavendon	♣†	273½	-1½	697	258	7	1.9	16.8
Logica	♣	598½	+34½	*608½	242	2,315	0.5	70.5
London Bridge Software	♣†	1427½	—	1800	511½	-	0.4	-
Lorien	♣	140	-4	806½	105	28	6.7	6.8

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Anglo Am Ind R		£9½	-⅜	*£19⅜	£6¼	-	6.0	6.1
Barlow R	♣	£21⅞	-⅛	£5⅝	£1⅞	-	4.9	ϕ
Investec Group		£20⅜	—	£26½	£17⅜	-	-	-
Investec Hldgs		£18⅜	—	£26¼	£17⅜	-	-	-
SA Breweries R		£9⅝	—	£20⅛	£7⅝	-	3.9	14.0
Standard Bank R		£1⅞	-⅛	*£3⅜	£1½	-	3.0	-
Tiger Oats		625	—	988	375	-	2.8	ϕ
Tongaat-Hulett R		331¼	-24¼	758	287¼	-	6.2	8.1

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
FTSE 100 TRANS		£57800xd	—	£61280	£47700	-	-	-

AIM

Alternative Investment Market

The Alternative Investment Market, designed primarily for small companies, is regulated by the London Stock Exchange but has less demanding rules than the SE Official list

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
10 Group		1	—	3¼	0¾	-	-	-
AFA Systems		99	—	191	74½	-	-	-
AMCO		95	—	132½	93½	-	9.2	7.1
ATA		122½	—	157½	137½	-	2.0	10.0
AdVal Group		45½	—	87½	45½	-	-	7.8
Access Plus	♣†	175	—	271	175	-	3.6	14.7
African Gold	♣	3½	—	7¼	3¼	-	-	-
Albemarle & Bond	♣	72xd	—	98½	36½	-	1.7	19.6
Alizyme	♣	26½	-2	43½	24½	-	-	-
Ambient Media		45½	—	182½	42½	-	-	-
Amberley Pub Co	♣	108	+1½	298	88½	-	-	-
Anglo Siberian Oil Co		95½	—	188½	96½	-	-	-
Anglo-Welsh	♣	103½	—	118	72½	-	3.6	8.5
Antonov	♣	78	—	117½	69	-	-	ϕ
AerTech	♣	82½	—	110½	82½	-	-	ϕ

AIM - Continued

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
UA Group		172½	—	*200	141¼	-	3.4	-
VDC	♣	125	—	236	125	-	5.5	10.7
VFG	♣	48	—	64½	38	-	2.7	9.8
VI		18½	—	58½	15½	-	-	18.5
Victory Corpn	♣	8¼	—	42½	8½	-	-	-
WML	♣	35½	—	85½	27½	-	-	34.8
Weather Action		52½	—	67½	52½	-	-	-
Weeks Group	♣	2¼	—	5	2¼	-	6.1	5.8
West 175 Ents	♣	55	—	87	45	-	-	-
West Bromwich Albion		£118	—	£145	£95	-	-	13.5
Western Select	♣‡	8½	—	13¼	7¼	-	3.7	19.8
Westmount Energy	♣	17½	-1	300	17½	-	-	ϕ
Winchester		68½	-1½	84½	55½	-	-	34.3
World Telecom	♣	57	-3	285	55	-	-	-
Xander Computer		14½	-¼	16	5½	-	-	13.9
Yeoman		69½	—	86½	53½	-	-	ϕ

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4.30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent (except where payment is due after 6/4/99 when no tax credit will be applied) and allow for the value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changers.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ϕ Figures or report awaited
- ♥ Rule 2 1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other offical estimates. f Dividend/yield adjusted for complex base. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. p Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield; p/e based on previous year's earnings. v Dividend/yield excludes account payable after 6/4/99. z Dividend yield ex-cludes a special payment. F Yield based on prospectus or other official estimates for 1998-99. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1999. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. R Dividend is paid in whole or part as a FID (Foreign Income Dividend). Y Dividend/yield adjusted for consolidation or share split. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xr ex rights; xa ex all; xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion.

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

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For Retail Price Index details call 0891 43 0005

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

LONDON STOCK EXCHANGE

Equities feel heat from Brazilian melting pot

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Something of an uneasy calm settled over London's stock market yesterday as the spectre of a fresh dose of emerging market panic cast a shadow over UK stock prices.

Dealers and marketmakers continued to take the view that global markets had over-reacted to the latest events in Brazil, which have seen the governor of the central bank resign and the currency effectively devalued.

But another downside performance by Brazil, off almost 3 per cent during London trading hours, quickly permeated through to Wall Street, the global equity market benchmark, and saw London, along with most other European stock markets, run back to finish the session with further losses.

"It's a difficult market to call at the moment, with Brazil and other Latin American markets in the melting pot and Wall Street looking uncertain at best. Europe is still well underpinned at the moment but can't possibly ignore anything like a big sell-off on Wall Street. If the Dow slides, so do we," was the view of one marketmaker.

All London's FTSE indices ended the session in negative territory, having spent much of the day with good gains.

Earlier, it looked as if predictions by market observers that Brazil's problems would be only a temporary brake on global market might prove correct.

Wall Street finished its Wednesday session down 125 points, having been off 240 at worst, and London dealers prepared for an early rally. Those hopes were dashed, however, by another profits warning from Marks and Spencer, the UK's biggest clothing retailer.

The FTSE 100, burdened by a steep fall in M&S shares, dropped more than 51 points minutes after the opening of trading and fell below 5,800 before rallying strongly on hopes of a recovery on Wall Street.

At its best, at midday, the FTSE 100 posted a near 90-point gain. The index remained in positive territory until Wall Street went into a sharp reverse, the Dow Jones Industrial Average falling away rapidly and posting a three-figure decline not long after London closed.

The slide on Wall Street gathered pace thereafter, with the decline extended to more than 150 two hours after London closed.

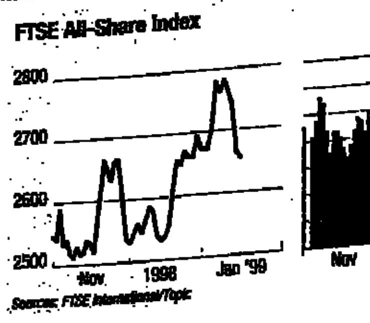
The FTSE 100 ended 29.9 off at 5,820.2 with marketmakers and dealers unwilling to speculate on the market's short-term future.

Second-line stocks looked on safe ground all day. The FTSE 250 looked set to recross the 4,900 level and hit a session-best of 4,896.5 only to come under fire in the last few minutes of the session and close 1.6 off at 4,872.8. The FTSE SmallCap ended 0.9 down at 2,107.7 after looking secure and posting a 2.8 gain at 2,111.4 in mid-session.

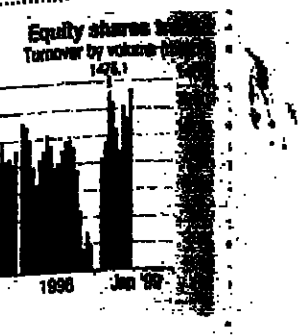
Marks and Spencer was not the only retailer hogging the market headlines. Dixons' internet success and good results drew a warm market response, as did the Philip Green-led bid for Sears, but Storehouse demonstrated the malaise affecting much of the high street.

Turnover expanded to 1.34bn shares.

FTSE All-Share Index



Equity shares traded
Turnover by volume (million)



Indices and ratios

FTSE 100	5820.2	-29.9
FTSE 250	4872.8	-1.6
FTSE 350	2749.0	-12.1
FTSE All-Share	2654.62	-11.19
FTSE All-Share yield	2.95	2.94

FT 30	3439.3	-51.8
FTSE Non-Fins p/e	23.16	23.22
FTSE 100 Fut Mar	5832.0	-11.0
10 yr Gilt yield	4.39	4.41
Long gilt/equity yld ratio	1.49	1.50

Best performing sectors

1. Gas Distribution +6.2
2. Utilities +2.1
3. Tobacco +1.5
4. Breweries, Pubs & Rest +1.5
5. Telecommunications +0.9

Worst performing sectors

1. Insurance -2.5
2. Retailers, General -2.1
3. Chemicals -1.8
4. Leisure & Hotels -1.7
5. Other Financial -1.7

Retailers see mixed fortunes

COMPANIES REPORT

By Joel Kibazo, Peter John and Betrand Benoit

Contrasting fortunes in the retail sector were on display yesterday. Marks and Spencer plunged after stunning the market with yet another profits warning but electrical goods retailer Dixons soared following Wednesday's upbeat trading statement.

With a Christmas trading update not expected until the end of this month, the timing of the M&S statement took analysts by surprise, while its contents surpassed the market's worst predictions.

The company revealed its UK sales for the five weeks to the beginning of January were down 4.2 per cent on a year ago, while sales for the 15 weeks to January 9 were down 4.4 per cent.

M&S also warned it now expected profits before exceptional items for the year to March 1999 to be between £625m and £675m, down from reduced estimates of around £760m and profits of £1.1bn a year earlier.

"This is far worse than many of us had expected and there appears to be no end to the bad news," said one desolate sector specialist. The news triggered a sell-off that saw the stock price tumble to a 12-month low of 338¼p. Following a slight recovery, the shares closed 53¾ or 13.66 per cent down at 339¾p, by far the worst performer in the FTSE 100.

M&S has underperformed the market by 48.45 per cent over the last 12 months and by 51.68 per cent over the last five years. Volume of 62m made it the most actively traded stock.

Not even the announcement of a new business structure and changes to management responsibilities could lift the gloom and many brokers advised clients to "avoid" the stock. However, CSFB was reported to have reiterated its "hold" stance saying investors should "buy" on weakness.

Electrical goods retailer Dixons was the best performer in the FTSE 100 with the shares hitting a new high as the market appreciated Wednesday's news of the success of the group's internet service.

The company also reported better-than-expected half-year profits while analysts were particularly pleased with current trading, which saw like-for-like sales in the first eight weeks of the second half improve 3 per cent on a year earlier. The shares jumped 100½ or 10.49 per cent to £10.58½p after trade of 6.7m.

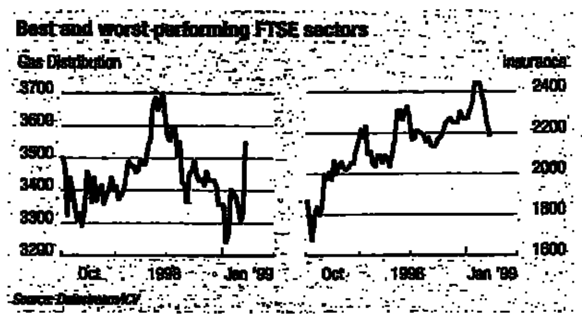
It looked like the end for retailer Sears as an independent group after Philips & Drew Fund Management, the largest single shareholder with a 22.3 per cent holding, signalled plans to accept a 340p-a-share cash bid from retail entrepreneur Philip Green yesterday.

It closed up 34 or nearly 11 per cent at 344½p, the best performer in the FTSE 250.

Credit Suisse First Boston was said to have downgraded profit expectations at Storehouse following the release of a gloomy trading statement in which it said like-for-like sales in the 12 weeks to the begining of January at its BHS stores were down 4.5 per cent on last year and down 6.1 per cent at Mothercare.

CSFB was reported to have reduced its profits forecast for the year to March by £12m to £90m and reiterated its "sell" stance. The shares closed 9½ off at 112½p, the worst performer in the FTSE 250.

Best and worst-performing FTSE sectors



PowerGen moved forward 30 to 820p as the defensive qualities of the stock combined with a couple of broker "buy" notes.

Morgan Stanley Dean Witter moved its recommendation on the stock from "outperform" to "strong buy" and raised its share price target from 975p to 990p.

James Hutton-Mills at the broker also increased his current-year earnings per share forecast by 3 per cent to 68.8p and its millennium number by 13 per cent to 73.9p.

"This stock is on a prospective p/e of 11½ times – a 30 per cent discount to the sector," he said. "PowerGen is very much a new entity and the stock looks extremely cheap at current levels." Elsewhere, a recommendation from Charterhouse also attracted support.

BG powers ahead

BG was a strong performer, climbing 29¼ to 409¼p as investors sought the defensive qualities of the gas exploration and distribution group stock amid the recent volatility in global equity markets. The shares had drifted down from 430p over Christmas

Sun Life rose 9¼ to 519¼p after Warburg Dillon Read raised its investment rating on the life assurer to "buy" from "hold".

Britannic gained 27 to £12.47 on the back of strong new business figures. The company said new regular premiums were up 7.6 per cent in 1998 to £40.85m. New single premiums were up 49.3 per cent to £120.86m.

Positive comment from the new utilities team at Sutherlands helped Thames Water edge ahead to £10.45. The broker says the current regulatory review and the consequent fear of the unknown presents an opportunity to buy value and sustained real dividend growth within the sector. Thames is the broker's sector pick along with United Utilities, which was up 1½ at 782p.

Further broker re-rating of BAT following news it plans to take over Rothmans International lifted the shares 4¼ to 634½p. BT Alex Brown, which has been cautious on the stock, moved its stance to "market performer".

Merchant bank Singer & Friedlander held steady with support from a Credit Suisse First Boston "buy" note.

CSFB says: "We expect Singer to maintain a double-digit return on equity despite potentially difficult market conditions".

Mirror Group lifted 2¼ to 173p and Trinity 1½ to 440p as the on-off saga of the attempt by the newspaper groups to merge rumbled on. Mirror is to hold a strategy meeting on Tuesday at its Canary Wharf headquarters at which it will put its case to analysts. Many feel the big question is whether chief executive David Montgomery stays or goes.

The market trend prompted another share-buyback in Charter. The company said it had bought 650,000 shares for cancellation at 345p. The company also bought back 1m shares on Wednesday. The stock closed unchanged at 347½p.

On-line, the aim-traded internet game company, gained 17½ to 75p, even though directors injected 125,000 shares into the market to add liquidity.

FT 30 INDEX

	Jan 14	Jan 13	Jan 12	Jan 11	Jan 8	Yr ago	*High	*Low
FT 30	3438.3	3491.1	3501.9	3541.2	3583.1	3301.1	4004.9	2790.6
Ord. div. yield	3.01	2.96	2.87	2.84	2.82	3.40	4.22	2.72
P/E ratio net	22.31	22.63	23.37	23.62	23.80	21.31	26.41	15.80
P/E ratio nil	22.22	22.53	23.28	23.52	23.70	21.02	25.19	15.71

FT 30 since compilation: high 4004.9 7/15/98; low 49.4 6/26/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3491.1	3496.7	3474.0	3500.3	3493.5	3473.8	3464.3	3446.3	3512.8	3428.7

STOCK MARKET TRADING DATA

	Jan 14	Jan 13	Jan 12	Jan 11	Jan 8	Yr ago
SEAQ bargains	80,986	86,728	75,803	77,314	81,414	56,639
Equity turnover (£m)†	-	4651.3	4211.8	3302.2	4891.5	2147.7
Equity bargains†	-	69,849	66,011	64,646	69,544	42,932
Shares traded (m)†	-	1030.2	1116.4	1005.4	1090.2	627.8
Total market bargains‡	-	85,271	78,770	74,137	80,650	-
Total turnover (£m)‡	-	5707.7	5012.0	4603.6	5766.5	-
Total shrs traded (m)‡	*1339.9	1215.7	1301.1	1164.2	1293.3	-
Tradepoint turnover (£m)	34.8	40.9	31.4	23.6	32.6	18.2
Tradepoint shrs traded(m)	11.2	13.2	12.4	9.3	14.4	7.3

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	656	Total Highs	49	Total contracts	51,017
Total Falls	689	Total Lows	65	Calls	23,735
Same	1,552			Puts	27,282

Jan 14 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5895.0	5832.0	-11.0	5960.0	5805.0	39686	176676
Jun	-	5872.0	-11.0	-	-	0	13340
Sep	-	5913.0	-11.0	-	-	0	750

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	4908.0	-2.0	-	-	0	5933
Jun	-	4925.0	-2.0	-	-	0	300

FTSE 100 INDEX OPTION (LIFFE) (*5820) £10 per full index point

[illegible]

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 14,841 Puts 17,504 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1998/99 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]											
-	F.P.	8.02	100	90½	Piccadilly Growth	97		1.6	0.5	2.1	76.1
100	F.P.	-	103	92	REXAM B	95½	-½	-	-	-	-
§	F.P.	15.0	100	100	Singer&Fnd AIM VCT	100		-	-	-	-
-	F.P.	2.51	85	75	Wilmington	77½		F6.0	2.7	7.7	3.2
-	F.P.	-	16½	5	Xenova Warrants	16½		-	-	-	-
-	F.P.	28.1	95	87½	Yeoman II IT Inc	94	+1½	W9.8	-	10.4	-
-	F.P.	8.01	8	4½	Do Cap	5¼	-¼	-	-	-	-
-	F.P.	30.0	113	102	Do Zero Div Pf	112½		-	-	-	-
-	F.P.	-	99	96	Do Equity Units	98	+1	-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Jan 13	% chg on day	Jan 12	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (29)	994.16	-2.3	1017.61	946.00	1.78	999.19	1351.57	701.58
Regional Indices								
Africa (9)	1063.83	-2.7	1093.10	957.42	3.58	1074.75	1488.04	765.83
Australasia (9)	1229.50	-3.0	1286.97	1090.93	2.47	1239.11	1600.53	815.93
Americas (11)	938.79	-2.0	955.85	932.43	0.80	938.81	1317.41	647.69

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stlg Jan 14	Day's chge%	Euro Index	£ Stlg Jan 13	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5820.2	-0.5	6420.3	5850.1	5165.8	2.81	2.40	1.89	23.52	1.34	2577.43
FTSE 250	4872.8	—	5375.2	4874.4	4816.3	3.43	2.94	2.14	17.06	1.10	2120.28
FTSE 250 ex Inv Tr	4883.0	-0.1	5386.4	4885.9	4858.7	3.57	3.08	2.22	15.76	1.03	2134.06
FTSE 350	2749.0	-0.4	3032.4	2761.1	2484.3	2.90	2.48	1.94	22.23	0.63	2488.34
FTSE 350 ex Inv Tr	2754.9	-0.4	3039.0	2767.3	2488.6	2.92	2.50	1.95	22.00	0.63	1279.17
FTSE 350 Higher Yield	2536.0	-0.6	2797.5	2551.9	2490.5	4.08	3.47	1.83	16.70	0.55	1971.06
FTSE 350 Lower Yield	2975.5	-0.3	3282.3	2983.2	2492.8	1.78	1.52	2.17	32.86	0.72	2179.29
FTSE SmallCap	2107.65	—	2324.96	2108.56	2349.96	3.86	3.18	2.06	15.70	2.20	1863.33
FTSE SmallCap ex Inv Tr	2069.15	-0.1	2282.48	2070.67	2359.33	4.11	3.39	2.18	13.94	2.24	1850.14
FTSE All-Share	2654.62	-0.4	2928.31	2665.81	2426.80	2.95	2.52	1.94	21.80	0.71	2438.99
FTSE All-Share ex Inv Tr	2664.30	-0.4	2939.00	2675.86	2433.34	2.97	2.53	1.96	21.48	0.70	1259.52
FTSE Fledgling	1167.27	+0.2	1287.62	1165.11	1276.69	4.31	3.49	1.33	21.85	0.92	1315.42
FTSE Fledgling ex Inv Tr	1177.11	+0.2	1298.48	1174.74	1305.11	4.93	3.99	1.37	18.57	0.95	1333.93
FTSE All-Small	1197.81	—	1321.31	1197.75	1330.48	3.95	3.25	1.89	16.69	1.19	1351.79
FTSE All-Small ex Inv Tr	1199.50	—	1323.17	1199.72	1360.27	4.27	3.51	1.99	14.68	1.23	1364.01
FTSE AIM	810.3	+0.5	893.9	806.5	978.4	1.31	1.05	1.01	80.00†	0.20	753.72

FTSE Actuaries Industry Sectors

	£ Stlg Jan 14	Day's chge%	Euro Index	£ Stlg Jan 13	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(18)	3970.70	-1.0	4380.09	4009.23	4399.88	3.66	3.18	1.17	29.23	0.00	1853.05
12 Extractive Industries(6)	2706.03	-0.5	2985.03	2719.61	2851.78	5.05	4.65	1.99	12.42	0.00	872.82
15 Oil, Integrated(3)	4641.71	-1.0	5120.28	4688.42	4881.63	3.51	3.03	1.06	33.53	0.00	2227.27
16 Oil Exploration & Prod(9)	1375.39	-1.2	1517.20	1392.72	3387.27	4.05	3.54	0.97	31.84	0.00	861.33
20 GEN INDUSTRIALS(192)	1711.00	-0.9	1887.41	1727.25	1936.51	4.27	3.80	2.24	13.05	0.99	1024.67
21 Construction(37)	1206.26	-0.5	1330.62	1212.29	1299.36	4.23	3.43	3.02	9.79	0.46	1094.74
22 Building Matls & Merchs(24)	1516.29	+0.1	1672.62	1514.08	1665.34	4.98	4.30	2.11	11.86	0.33	845.97
23 Chemicals(20)	1765.15	-1.8	1947.14	1796.99	2497.83	5.16	4.87	1.84	13.15	0.09	917.72
24 Diversified Industrials(4)	1107.56	-0.4	1221.75	1111.66	1267.65	5.85	5.07	1.65	12.93	0.00	702.98
25 Electronic & Elect Equip(25)	2725.00	-1.2	3005.98	2756.99	2173.86	2.81	2.39	1.99	22.40	0.00	1527.12
26 Engineering(54)	2154.43	-1.0	2376.56	2176.44	2621.08	4.49	4.02	2.23	12.50	2.78	1419.98
27 Engineering, Vehicles(10)	3376.83	-1.5	3724.98	3427.84	3447.96	2.85	2.43	3.23	14.59	0.00	1881.55
28 Paper, Pckg & Printing(18)	1525.28	-0.5	1682.54	1532.25	2111.07	6.85	6.36	2.36	7.73	2.42	705.52
30 CONSUMER GOODS(92)	6104.35	-0.8	6733.72	6153.10	5088.19	2.23	2.02	1.92	29.21	0.25	2441.65
32 Alcoholic Beverages(5)	3664.36	+0.1	4042.18	3660.92	3301.92	3.37	3.14	2.13	17.41	0.34	1469.11
33 Food Producers(26)	3573.01	-1.3	3941.40	3620.65	3390.30	2.51	2.18	2.31	21.55	0.10	1751.47
34 Household Goods & Texts(14)	2001.02	-1.1	2207.33	2023.22	3065.83	5.11	4.62	1.98	12.45	0.80	898.56
36 Health Care(14)	2442.22	-0.7	2694.02	2460.38	2301.87	2.12	1.95	2.11	28.02	0.96	1577.88
37 Pharmaceuticals(20)	11064.36	-1.0	12205.12	11181.75	8561.83	1.59	1.49	1.61	48.91	0.08	3987.15
38 Tobacco(3)	7629.32	+1.5	8415.92	7513.16	4887.70	4.51	3.76	2.04	13.60	0.00	2173.89
40 SERVICES(288)	3553.29	+0.1	3919.65	3550.38	2898.01	2.42	2.00	2.10	24.60	2.23	1978.05
41 Distributors(26)	1794.52	-0.8	1979.54	1808.23	2542.63	5.29	4.39	2.01	11.78	1.12	720.95
42 Leisure & Hotels(31)	3186.70	-1.7	3515.25	3242.78	3517.27	2.88	2.55	2.85	15.22	14.89	1829.22
43 Media(47)	4480.64	+0.2	4942.61	4471.18	4016.14	2.31	1.98	2.15	25.16	0.08	1712.84
44 Retailers, Food(13)	2800.50	-0.1	3089.24	2804.06	2788.82	3.27	2.62	2.14	17.86	0.00	1931.42
45 Retailers, General(42)	2020.40	-2.1	2228.71	2063.95	2272.86	3.70	2.97	2.09	16.18	3.38	1252.00
46 Telecommunications(7)	5674.55	+0.9	6259.60	5624.92	2853.10	1.59	1.30	1.59	49.85	0.00	2797.15
47 Breweries, Pubs & Rest.(24)	3479.33	+1.5	3838.06	3428.17	3567.06	3.61	2.93	2.22	15.61	7.66	1809.41
48 Support Services(59)	4767.25	+0.2	5258.77	4758.78	3692.90	1.32	1.12	2.78	34.22	0.37	3159.92
49 Transport(23)	3422.85	+0.4	3775.75	3408.95	2880.59	3.06	2.58	2.10	19.46	0.88	1545.81
60 UTILITIES(20)	4224.17	+2.1	4659.69	4137.80	3738.00	3.79	3.21	1.67	19.67	0.00	2055.27
62 Electricity(7)	4753.29	+0.7	5243.36	4718.43	4097.63	4.25	3.46	1.71	17.19	0.00	2839.51
64 Gas Distribution(2)	3541.51	+6.2	3906.65	3334.34	2632.91	1.91	1.53	‡	‡	0.00	2064.35
68 Water(11)	3306.09	+0.3	3646.95	3296.69	3403.08	5.07	4.68	2.38	10.38	0.00	2084.49
69 NON-FINANCIALS(800)	2723.18	-0.3	3003.95	2730.05	2438.82	2.86	2.47	1.89	23.16	0.93	2248.00
70 FINANCIALS(120)	4994.09	-1.0	5509.00	5044.04	4844.94	3.30	2.73	2.16	17.53	0.12	2338.72
71 Banks, Retail(12)	7410.73	-0.7	8174.79	7460.26	7035.34	3.46	2.77	2.14	16.89	0.00	2827.30
73 Insurance(21)	2198.69	-2.5	2425.38	2254.87	2211.44	3.23	3.04	1.91	20.28	0.12	1843.63
74 Life Assurance(6)	7307.39	-0.9	8060.80	7371.99	6217.31	2.64	2.28	2.70	17.57	0.00	3294.13
77 Other Financial(31)	3646.67	-1.7	4022.65	3708.60	3820.89	3.03	2.51	2.53	16.28	0.87	2253.18
79 Property(49)	1723.33	-0.9	1901.01	1738.38	2221.94	3.63	3.09	1.80	21.93	0.08	1148.49
80 INVESTMENT TRUSTS(117)	3589.18	—	3959.23	3588.08	3393.35	2.33	1.92	1.15	46.71	1.59	1320.83
89 FTSE All-Share(837)	2654.62	-0.4	2928.31	2665.81	2426.80	2.95	2.52	1.94	21.80	0.71	2438.99
105 FTSE All-Share ex Inv Tr(720)	2664.30	-0.4	2939.00	2675.86	2433.34	2.97	2.53	1.96	21.48	0.70	1259.52
Information Technology	1552.88	—	1712.99	1552.81	1071.56	0.61	0.49	4.22	48.63	0.00	1581.05

Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5842.0	5903.8	5869.8	5935.4	5912.6	5889.0	5868.5	5840.5	5937.8	5798.7
FTSE 250	4882.6	4881.9	4885.8	4891.6	4895.1	4891.6	4882.9	4876.6	4896.5	4872.5
FTSE 350	2758.6	2783.2	2766.0	2796.7	2787.9	2778.1	2769.2	2757.4	2797.1	2741.0
FTSE SmallCap	2109.66	2108.46	2109.67	2110.20	2111.12	2110.98	2110.55	2108.51	2111.45	2107.65
FTSE All-Share	2663.55	2686.13	2670.38	2698.62	2690.60	2681.62	2673.35	2662.43	2699.00	2647.35

Time of FTSE 100 Day's high: 12:00:30 Day's low: 9:18:45. FTSE 100 1998 High: 6179.0 (20/07/98) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 12:01:00 Day's low: 9:20:00. FTSE All-Share 1998 High: 2885.20 (20/07/98) Low: 2106.07 (05/10/98)

Further information is available on http://www.ftse.com.

 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	2,100	605	-7
AMVESCAP	1,000	403½	-10½
ASDA Group	30,100	158	-6½
Abbey National	3,700	1258	-8
Alliance & Leicester	3,900	850½	-4½
[illegible]			

هكذا من الأصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Jan 14) 1 € = 13.76030 Sch

[illegible]

BELGIUM/LUX (Jan 14) 1 € = 40.33990 Frs.

[illegible]

FINLAND (Jan 14) 1 € = 5.94573 Mka

[illegible]

FRANCE (Jan 14) 1 € = 6.55957 Frs.

[illegible]

GERMANY (Jan 14) 1 € = 1.95583 Dm.

[illegible]

IRELAND (Jan 14) 1 € = 0.78756 Punt

[illegible]

ITALY (Jan 14) 1 € = [illegible] Lire

[illegible]

NETHERLANDS (Jan 14) 1 € = 2.20371 Fls.

[illegible]

PORTUGAL (Jan 14) 1 € = 200.48200 Esc.

[illegible]

SPAIN (Jan 14) 1 € = 166.38600 Pts.

[illegible]

EUROPE (NON-EMU)

CZECH REP (Jan 14 / Koruna)

[illegible]

DENMARK (Jan 14 / Kr)

[illegible]

GREECE (Jan 14 / Drachma)

[illegible]

NORWAY (Jan 14 / Kroner)

[illegible]

POLAND (Jan 14 / Zloty)

[illegible]

SWEDEN (Jan 14 / Kronor)

[illegible]

SWITZERLAND (Jan 14 / Frs.)

[illegible]

TURKEY (Jan 14 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Jan 14 / Yen)

[illegible]

HONG KONG (Jan 14 / H.K.$)

[illegible]

INDONESIA (Jan 14 / Rupiah)

[illegible]

MALAYSIA (Jan 14 / MYR)

[illegible]

NEW ZEALAND (Jan 14 / NZ $)

[illegible]

SINGAPORE (Jan 14 / S$)

[illegible]

AUSTRALIA (Jan 14 / Aust$)

[illegible]

SOUTH KOREA (Jan 14 / Won)

[illegible]

TAIWAN (Jan 14 / TW $)

[illegible]

THAILAND (Jan 14 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Jan 14 / Rand)

[illegible]

AMERICAS

CANADA

TORONTO (Jan 14 / Can $) 4 pm close

[illegible]

MONTREAL (Jan 14 / Can $) 4 pm close

[illegible]

MEXICO (Jan 14 / Peso) 12.30 pm

[illegible]

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JANUARY 13 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JANUARY 12 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	206.82	-2.4	185.54	148.58	203.48	217.74	-0.8	3.37	211.87	192.64	149.73	211.37	219.46	219.86	163.86	193.43
Austria (21)	180.13	-1.7	161.60	129.41	156.38	156.38	-3.1	2.23	183.32	166.69	129.55	161.38	161.38	253.73	166.45	181.60
Belgium (22)	412.35	-1.2	369.92	298.24	350.49	350.49	-2.5	1.93	417.28	379.42	294.89	359.66	359.66	446.95	252.57	253.67
Brazil (32)	100.47	-13.5	90.14	72.18	98.85	244.03	-5.7	3.70	118.11	105.58	82.06	115.84	258.82	269.34	100.47	216.44
Canada (117)	204.82	-2.0	183.74	147.15	201.51	226.62	-0.7	1.72	209.06	190.09	147.74	206.57	228.21	248.78	159.94	201.84
Denmark (34)	497.22	-0.9	446.06	357.21	489.19	430.04	-2.2	1.63	501.53	456.02	354.43	500.36	439.86	537.38	420.12	449.48
Finland (29)	592.85	-4.8	531.85	425.92	632.04	632.04	-6.2	1.59	623.04	566.51	440.30	673.57	673.57	624.91	273.52	273.52
France (75)	327.29	-2.1	293.62	235.13	287.73	287.73	-3.5	2.18	334.39	304.05	236.32	298.11	298.11	354.45	228.39	228.39
Germany (55)	275.21	-3.5	246.90	197.72	239.10	239.10	-4.8	1.36	285.22	259.34	201.56	251.26	251.26	325.61	220.89	222.16
Greece (36)	360.87	-5.2	323.56	259.11	354.84	718.88	-6.0	1.18	380.33	345.82	268.78	379.45	785.19	388.53	211.47	–
Hong Kong, China (67)	313.13	-4.0	280.91	224.96	308.07	311.49	-4.0	3.93	326.19	296.59	230.52	325.43	324.50	362.55	196.64	281.88
Indonesia (26)	48.73	-10.2	43.72	35.01	47.94	257.09	-4.0	1.19	54.26	49.34	38.34	54.13	287.95	64.52	19.04	38.54
Ireland (16)	555.69	-1.9	498.51	399.22	526.87	526.87	-3.3	1.79	566.63	515.22	400.44	544.79	544.79	605.85	396.15	410.18
Italy (53)	173.49	-3.1	155.64	124.64	214.35	214.35	-4.4	1.30	179.01	162.77	126.51	224.28	224.28	192.64	123.73	123.73
Japan (445)	98.90	-1.5	86.93	69.62	95.34	69.62	0.1	1.07	98.41	89.48	69.54	98.18	69.54	109.73	76.83	89.43
Mexico (29)	904.75	-7.3	811.66	650.00	890.14	10388.69	-3.6	2.47	975.88	887.34	689.66	973.61	10778.63	1739.73	787.15	1587.80
Netherlands (26)	494.47	-3.6	443.60	355.24	424.93	424.93	-5.0	2.23	513.00	466.45	362.54	447.04	447.04	582.73	394.92	398.58
New Zealand (18)	62.43	-2.6	56.01	44.85	61.42	61.24	-1.5	4.76	64.12	58.30	46.32	63.97	62.20	77.84	45.68	72.05
Norway (37)	228.63	-5.7	205.10	164.25	224.93	231.57	-5.5	2.50	242.42	220.42	171.32	241.85	244.95	357.71	181.86	287.56
Philippines (22)	94.92	-1.6	85.16	68.20	93.39	183.55	0.7	0.81	96.46	87.71	68.17	96.24	182.20	108.98	42.48	82.12
Portugal (18)	263.47	-2.4	238.36	189.29	308.90	308.90	-3.7	1.08	269.84	245.35	190.69	320.81	320.81	299.39	194.13	–
Singapore (41)	223.14	-2.8	200.18	160.31	219.54	173.58	-2.2	1.64	229.49	208.66	162.18	228.95	177.56	246.74	102.45	161.88
South Africa (38)	186.33	-5.6	167.16	133.86	183.32	249.24	-4.3	3.81	197.31	179.41	139.44	198.85	260.39	346.20	151.55	232.64
Spain (30)	377.09	-5.9	338.29	270.91	406.12	406.12	-7.2	2.00	400.58	364.23	283.09	437.47	437.47	435.19	277.69	277.69
Sweden (44)	514.31	-2.5	461.40	369.50	506.01	593.70	-3.0	1.93	527.58	479.71	372.84	526.36	612.17	628.19	379.18	441.33
Switzerland (30)	419.50	-1.4	376.34	301.38	412.73	352.58	-3.9	1.21	425.53	386.92	300.72	424.53	366.93	441.85	307.73	330.56
Thailand (34)	25.06	-5.8	22.48	18.00	24.66	36.04	-4.2	2.63	26.61	24.19	18.80	28.54	37.61	39.84	8.15	14.21
United Kingdom (207)	373.99	-1.6	335.51	268.69	367.95	335.51	-3.0	2.94	380.25	345.75	268.72	379.36	345.75	401.84	307.98	328.21
USA (615)	509.21	-0.4	455.82	365.83	500.99	509.21	-0.4	1.28	511.30	464.91	361.34	510.11	511.30	525.31	387.98	388.14
Americas (783)	451.25	-0.6	404.82	324.19	443.97	382.86	-0.5	1.31	453.76	412.59	320.67	452.70	384.82	466.36	347.59	351.58
Europe (733)	355.89	-2.5	319.27	255.68	350.14	321.65	-3.9	2.10	364.99	331.87	257.94	364.14	334.70	386.24	282.63	283.09
Eurobloc (345)	103.58	-3.2	92.74	74.27	97.21	97.21	-4.5	1.78	106.80	97.11	75.48	101.84	101.84	113.92	81.53	–
Nordic (144)	497.87	-3.1	445.64	357.68	489.83	492.19	-3.9	1.82	513.63	467.03	362.98	512.44	512.10	555.97	360.04	392.96
Pacific Basin (729)	105.66	-1.9	94.79	75.91	103.96	79.01	-0.4	1.58	107.71	97.94	76.12	107.46	79.36	119.48	82.88	97.07
Euro-Pacific (1462)	209.70	-2.3	188.12	150.65	208.31	170.14	-2.9	1.95	214.69	196.21	151.72	214.19	175.24	221.79	166.00	174.64
North America (732)	488.63	-0.5	438.35	351.04	480.74	489.75	-0.4	1.30	490.92	446.37	346.93	499.77	491.81	504.30	374.92	378.14
Europe Ex. UK (526)	334.40	-2.9	299.99	240.24	329.00	305.15	-4.3	1.70	344.39	313.14	243.38	343.59	318.03	368.32	253.67	253.67
Europe Ex. Eurobloc (388)	96.71	-1.7	85.76	69.48	95.15	95.30	-3.2	2.44	98.42	89.49	69.55	98.19	98.46	103.93	77.40	–
Europe Ex. UK Ex. Eurobloc (181)	99.75	-1.9	89.48	71.86	98.14	93.79	-3.7	1.44	101.70	92.47	71.87	101.46	97.42	109.27	75.16	–
Pacific Ex. Japan (284)	187.26	-3.2	168.00	134.54	184.24	191.14	-2.3	3.43	193.51	175.95	136.75	193.06	195.64	216.04	128.26	169.20
World Ex. Eurobloc (1948)	194.56	-1.0	105.41	89.32	102.87	102.71	-1.0	1.57	105.61	107.92	88.74	105.37	103.72	108.05	83.09	–
World Ex. US (1678)	208.56	-2.4	187.10	149.83	205.19	174.75	-2.9	1.97	213.73	194.34	151.04	213.23	179.88	221.91	165.95	177.94
World Ex. UK (2086)	298.85	-1.3	268.10	214.70	294.02	264.99	-1.4	1.45	302.86	275.38	214.03	302.15	288.74	311.48	238.11	238.14
World Ex. Japan (1848)	408.96	-1.3	366.89	293.61	402.36	397.07	-1.7	1.66	414.51	376.90	292.93	413.54	404.10	427.99	320.58	323.58
The World Index (2293)	305.35	-1.4	273.93	219.97	300.42	271.55	-1.6	1.60	309.55	281.46	218.76	308.83	275.85	318.51	242.36	245.60

Emerging markets: IFC investable indices

Dollar terms

Jan 13 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	681.20	-9.8	-14.6
Brazil	208.25	-12.4	-24.3
Chile	404.12	-5.3	-10.5
Colombia[1]	395.80	-5.7	-9.9
Mexico	368.49	-7.6	-18.3
Peru[2]	127.09	-6.4	-5.4
Venezuela[3]	394.44	-3.5	-13.0
East Asia			
China[4]	24.31	-8.0	-7.1
India[7]	69.70	-1.1	+8.8
Indonesia[6]	23.68	-11.2	-2.2
Korea[5]	59.58	-0.9	+12.1
Malaysia	92.22	+0.1	+4.2
Pakistan[8]	89.95	-1.6	-4.9
Philippines	130.11	-1.8	+5.7
Sri Lanka[9]	79.90	+0.6	-3.0
Taiwan, China[5]	115.97	-0.5	+0.1
Thailand	67.91	-5.1	+7.5
Europe			
Czech Rep	49.25	-5.7	-3.0
Greece	637.53	-5.4	+2.9
Hungary[10]	271.18	-10.5	-3.4
Poland[12]	540.59	-6.5	+3.2
Portugal	297.32	-2.6	+1.8
Russia	21.70	-10.6	-7.5
Slovakia	44.00	+0.6	+0.9
Turkey[14]	138.46	-7.6	-6.7
Mideast/Africa			
Egypt	70.65	+2.3	+9.6
Israel	101.96	-4.6	-0.4
Jordan	222.24	+0.8	+2.6
Morocco	168.68	+1.2	+0.8
S Africa[13]	125.31	-6.2	+0.1
Zimbabwe[15]	95.66	-4.5	-9.2
Regions			
Composite	178.24	-5.5	-4.6
Latin America	343.71	-8.8	-18.1
Asia	112.37	-2.3	+4.9
EMEA	114.64	-5.4	+0.3
Europe	149.55	-5.8	+0.1
Easin Europe	56.94	-8.6	-2.0
ME & Africa	53.92	-4.9	+0.6
Comp + Malay	182.00	-5.1	-4.0
Asia + Malay	113.30	-1.8	+4.8

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.
Latest indices were unavailable for this edition.

Prices supplied by Telekurs, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible]

NEW YORK STOCK EXCHANGE PRICES

4 pm close January 14

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

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- G -

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- H -

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- I -

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- J -

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- T -

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- U -

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- V -

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- W -

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- X - Y - Z -

[illegible]

Price data supplied by Extel, part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

Dealings suspended.

هكذا من الأصل

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Jan 13	Jan 12	Jan 11	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9349.56	9474.68	9619.89	9643.32 (8/1/99)	7539.07 (31/8/98)	9643.32 (8/1/99)	41.22 (8/7/32)
Home Bonds	106.88	108.59†	106.49	107.17 (9/12/98)	104.42 (11/5/98)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3169.42	3206.85	3286.32	3686.02 (16/4/98)	2345.00 (9/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	306.07	308.58	307.41	320.51 (9/10/98)	282.66 (9/1/98)	320.51 (9/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 9485.24 (9680.40) Low 9134.08 (9384.40) (Theoretical)
Day's high 9471.34 (9620.15) Low 9213.10 (9461.77) (Actual)

Standard and Poors	Jan 13	Jan 12	Jan 11	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Composite‡	1234.40	1239.51	1263.88	1275.09 (8/1/99)	927.69 (9/1/98)	1275.09 (8/1/99)	4.40 (1/6/32)
Industrials♥	1485.06	1487.92	1516.76	1530.43 (8/1/99)	1077.40 (9/1/98)	1530.51 (8/1/99)	3.52 (30/6/32)
Financial♥	131.43	133.43	136.68	147.89 (14/7/98)	95.80 (8/10/98)	147.89 (14/7/98)	7.13 (4/8/74)
Others							
NYSE Comp.	590.72	594.59	604.04	611.06 (8/1/99)	477.20 (8/10/98)	611.06 (8/1/99)	4.54 (25/4/42)
Amex Comp	698.39	699.65	707.32	753.67 (22/4/98)	563.75 (8/10/98)	753.67 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	2316.81	2320.75	2384.59	2384.59 (11/1/99)	1419.12 (8/10/98)	2384.59 (11/1/99)	54.87 (3/10/74)
Russell 2000	424.86	427.36	433.13	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Jan 8	Dec 31	Dec 24	Year ago
Dow Jones Ind. Div. Yield	1.58	1.66	1.65	1.81
	Jan 6	Dec 30	Dec 23	Year ago
S & P Ind. Div. yield	1.11	1.17	1.17	1.49
S & P Ind. P/E ratio	39.11	37.82	37.68	25.98

US DATA

MARKET ACTIVITY

● Volume (million)	Jan 13	Jan 12	Jan 11
NYSE	934.240	800.200	818.050
Amex	29.895	29.483	27.964
NASDAQ	1197.54	1114.61	1147.38

NYSE	Jan 13	Jan 12	Jan 11
Issues Traded	3,604	3,533	3,563
Rises	1,026	883	1,105
Falls	2,087	2,176	1,953
Unchanged	441	474	505
New Highs	20	40	54
New Lows	74	35	33

NYSE TRADING ACTIVITY

Volume : 934,240,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
AmOnLne	24,513,500	145⅜	−8⅞
Citgrp	22,636,600	52⅜	−4⅜
LucentTch	22,599,700	104½	−3½
Compaq	18,559,500	45⅞	−⅞
Disney	11,465,600	36⅝	−1⅝
ChaseM	9,086,800	71⅝	−2⅛
HomeDep	8,376,300	54	−¼
AT&T	8,072,200	84⅝	+¾
Seagte	8,016,800	41½	+4½
Cendnt	7,905,600	19⅛	+⅛

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
LSI Lg	21⅜	+2⅝	+13.1
Seagte	41½	+4½	+11.0
WDigital	20⅝	+1⅞	+10.1
MarshaII	24⅝	+1⅞	+8.5
Downs			
KanCyS 4%	14⅝	−1¾	−10.8
DaimlerChrs	15⅝	−1⅞	−10.7
AES Corp	39⅞	−4⅛	−9.4
BardLab	42⅝	−4⅜	−9.3

NASDAQ TRADING ACTIVITY

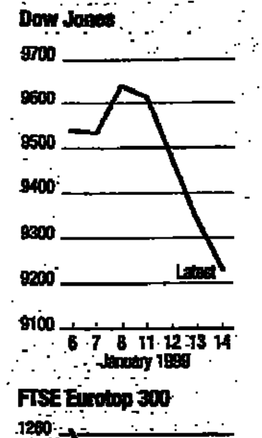
Volume :1,197,540,000

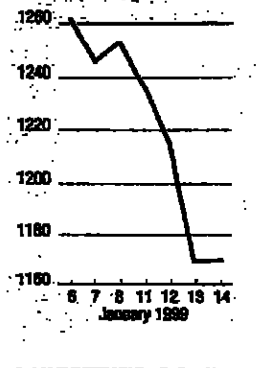
ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
AscendCom	34,714,000	80⅛	+5⅝
CiscoSys	30,972,100	95⅝	−2¼
Intel	29,682,400	139	+3⅛
Clean Cp	24,730,300	17⅝	+2⅝
DellCmp	19,375,500	79⅛	−1⅝
Micsft	18,819,000	143⅞	+1⅝
SunMic	17,912,800	98⅞	+3⅛
MCIWcm	15,634,800	73⅞	+1⅛
Amz.com	14,833,100	148	−15⅝
Yahoo	12,128,100	368	−34

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
SanDisk	20	+3⅛	+21.7
Clean Cp	17⅝	+2⅝	+18.8
Orthofix	15⅝	+2½	+18.7
Tekelec	22¼	+3⅜	+17.9
Downs			
Acclaim E	10⅝	−1⅞	−14.7
BcoGalicia	12	−2	−14.3
AmerTower	51	−8	−13.6
CMG Info	113⅛	−17⅞	−13.2





JAPAN

	Jan 14	Jan 13	Jan 12	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	13738.86	13403.60	13360.97	17264.3	12880	38915.9	85.25

Day's high: 13738.86. Day's low: 13369.08.

TOKYO TRADING ACTIVITY

Volume : 409,570,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
MitTrB	27,933,000	110	+7
Hitachi	10,710,000	795	+40
YasTrB	10,473,000	74	−2
MtbElec	9,025,000	384	+16
Toshiba	7,070,000	705	+6
NEC	6,719,000	1167	+15
SumiTrB	6,003,000	275	−3
BTokM	4,907,000	1220	+24
MiusMt	4,860,000	397	−1
MtbHvy	4,607,000	410	−6

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Nagase	403	+56	+16.1
TomCrp	100	+12	+13.6
DaiwaP	432	+50	+13.1
Calsonc	312	+27	+9.5
Downs			
Hazaka	45	−6	−11.8
FujiCp	56	−5	−8.2
IshiovS	255	−16	−5.9
MusMen	4970	−300	−5.7

GERMANY

	Jan 14	Jan 13	Jan 12	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DAX	4912.75	4931.80	5200.10	6171.43	3896.08	6171.43	931.18

Day's high: 5069.24. Day's low: 4912.75.

FRANKFURT TRADING ACTIVITY

Volume : 10,573,064

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Dt Bk	798,858	48.3	−3.6
BASF	781,241	31.3	−0.4
Dt Tel	736,927	33	+1.8
DmlrCh	651,844	87.7	+1.8
Cmrzbk	639,360	25.25	−0.45
Luftha	569,894	18	−0.8
Bayer	505,400	32.52	−0.98
DrsdBk	401,419	35	−0.7
Siemns	348,597	57.9	−1.1
VW	290,720	67.2	−1.5

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
KlocknW	45.2	+3.9	+9.4
Preussag	442	+34	+8.3
Dt Tel	33	+1.8	+5.8
Dyckerh	13	+0.7	+5.7
Downs			
Fresenius	133	−14	−9.5
Thyssen	146	−11.5	−7.3
Dt Bk	48.3	−3.6	−7.2
H'chst	31.1	−2.1	−6.3

FRANCE

	Jan 14	Jan 13	Jan 12	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	3997.06	3958.72	4100.70	4388.48	2862.54	4388.48	984.61

Day's high: 4035.17. Day's low: 3947.30

PARIS TRADING ACTIVITY

Volume : 575,437,800

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
FrTele	3,011,501	74.1	+3.6
TotalB	1,640,345	91.7	−3.3
Alcatel	1,035,404	109.9	+1.1
Renault	975,383	39.9	+2.3
BNP	883,313	66.25	−1.85
Usinor	835,376	9.81	−0.12
RhonPA	787,806	43.95	+0.75
ElfAqu	771,053	98	−3.8
Axa	744,522	120.7	+0.7
Paribas	637,587	76.1	+1.1

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
UnAsFd	108	+7.1	+7.0
RemyC	15.45	+1.04	+6.7
CastGu	191.8	+12.1	+6.7
Renault	39.9	+2.3	+6.1
Downs			
ThmCSF	31.65	−2.35	−6.9
G'chyte	53.5	−3.4	−6.0
Sod-Al	162	−10	−5.8
StAndr	97.3	−5.7	−5.5

UK

	Jan 14	Jan 13	Jan 12	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
FTSE 100	5820.2	5850.1	6033.6	6179	4648.7	6179	986.9

Day's high: 5937.8. Day's low: 5798.7.

LONDON TRADING ACTIVITY

Volume : 1,330,800,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Ibstock	138743300	69½	
M & S	62,434,440	339¾	−53½
Siebe	45,189,310	199	−9½
Tesco	30,113,040	185¾	+6
ASDA	29,780,190	153	−6½
BPB	27,122,080	183¾	−4½
BP Amoco	24,188,310	878	−7½
TeleWest	20,403,250	218	+15½
BG	19,627,800	409½	+29¼
Br Telecom	18,259,830	898½	−3

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
On-Line	75	+17½	+30.4
Rackwood	4¾	+¾	+18.8
J Fry Hldgs	133½	+19½	+17.1
Rive Grp	27½	+4	+17.0
Downs			
Craig & Rose	300	−195	−39.4
Game	103½	−62	−37.5
ProteomeSci	7	−2	−22.2
JKX Oil & Gas	8	−1½	−15.8

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	1239.80	1219.00	-20.00	1252.00	1215.00	143,938	389,990
Jun	1251.50	1231.00	-19.80	1256.50	1228.00	369	6,990
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Mar	13380.0	13700.0	+280.0	13750.0	13350.0	27,821	190,945
Jun	13220.0	13520.0	+300.0	13520.0	13220.0	187	29,947

Open interest figures for previous day.

CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	4009.0	4005.0	+35.0	4044.0	3952.0	88,614	71,340
Feb	4002.5	4015.0	+35.5	4039.0	3968.0	417	3,169
DAX							
Mar	5108.0	4990.0	-91.0	5115.0	4885.0	68,745	136,573
Jun	5080.0	4955.0	-97.0	5115.5	4925.5	4,741	17,063

DMAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	697.00	694.50	+5.500	701.00	682.25	57,852	167,240
Feb	695.00	693.25	+0.25	703.75	687.00	30,999	14,533
EUREX							
Mar	7260.0	7120.0	-61.0	7275.0	7065.0	51,079	135,468
Jun	7150.0	7067.0	-41.0	7187.0	7032.0	684	2,584

WORLD MARKETS AT A GLANCE

Country	Index	Jan 14	Jan 13	Jan 12	1998/99 High	1998/99 Low	❋ Yield	❋ P/E
Argentina	General	14795.03	14880.28	16319.51	23485.50 23/3/98	12303.10 10/9/98	4.4	11
Australia	All Ordinaries	2804.8	2822.0	2846.3	2887.30 7/1/99	2458.20 1/9/98	3.3	22
	All Mining	599.0	613.0	613.5	713.10 23/4/98	498.80 31/8/98		
Slipped with easier bonds and sharply weaker A$. Resources dipped 2.5 per cent with falling bullion and base metal prices.								
Austria	Credit Aktien	(u)	(u)	(u)	584.34 26/5/98	345.44 8/10/98	2	11.9
	ATX Index	1080.31	1087.99	1127.60	1628.56 26/5/98	982.06 1/10/98		
Dealers focused on Friday's expiry of January futures.								
Belgium	BEL20	3461.41	3415.15	3496.83	3681.92 6/1/99	2357.78 10/1/98	1.5	23.8
Financial services group Fortis and utility Electrabel led market higher.								
Brazil	Bovespa	5435.0	5517.0	5916.0	12299.00 15/4/98	4781.00 10/9/98	na	na
❋Early rise of almost 4 per cent turned into loss of more than 3 per cent mid-session as real lost ground against dollar.								
Canada	TSE 100♦	404.85	405.39	409.68	476.63 25/5/98	324.91 5/10/98	1.7	18.8
	Metals Mins♦	3315.68	3346.91	3419.94	4390.01 10/3/98	2500.10 31/8/98		
	TSE300Comp♦	6636.40	6632.05†	6700.83	7822.30 22/4/98	5335.70 5/10/98		
	Portfolio§§	3428.14	3432.56	3474.05	3985.81 25/5/98	2719.24 5/10/98		
❋Conglomerates and banks led market lower.								
Chile	IGPA Gen♥	3330.96	3350.98	3463.47	4861.95 17/3/98	2980.95 14/9/98	3.7	11.2
❋Market rebounded on narrowing of buy-sell spread of peso against dollar.								
China	Shanghai B	27.23	28.09	28.43	59.58 10/2/98	26.25 12/8/98	1.6	26
	Shenzhen B	50.35	52.00	52.09	98.97 10/2/98	49.88 13/8/98		
Fears over debt levels of listed companies sent hard-currency shares sharply lower on higher volumes.								
Colombia	IBB	993.91	1024.10	1060.58	1431.46 7/1/98	776.17 14/10/98	na	na
Czech Republic	PX 50	391.1	386.1	407.5	517.30 23/3/98	316.00 8/10/98	na	na
Rebound led by blue-chip companies.								
Denmark	CopenhagenSE	632.82	632.32	648.79	778.84 7/4/98	566.95 9/10/98	1.6	18
Volumes low as blue chips finished slightly down.								
Egypt	Cairo SE Gen	304.87	405.08	401.08	405.08 13/1/99	345.40 2/2/98	na	na
Profit-takers dragged bourse lower as overseas investors mostly stayed on sidelines.								
Finland	Hex General	5861.87	5711.80	6055.45	6081.08 8/1/99	3220.43 12/1/98	1.8	22.4
Edged forward on a quiet day dominated by sharp rise in the price of Nokia, the telecommunications company.								
France	SBF 250	2526.15	2507.84	2592.03	2798.73 17/7/98	1873.18 12/1/98	2.3	20.6
	CAC 40	3997.06	3958.72	4100.70	4388.48 17/7/98	2862.54 12/1/98		
Traded narrowly in dull volumes. Renault was firm feature, adding €2.30 or 6.1 per cent at €39.90.								
Germany	FAZ Aktien	1598.47	1594.99	1668.24	1948.89 20/7/98	1250.50 2/10/98	1.3	19.9
	Commerzbank	(u)	(u)	(u)	5712.60 20/7/98	3689.20 2/10/98		
	DAX‡	4912.75	4931.80	5200.10	6171.43 20/7/98	3896.08 8/10/98		
Concerns over impact of Brazilian crisis continued to take their toll.								
Greece	Athens General	2898.40	2798.21	2983.34	3018.48 8/1/99	1388.13 29/1/98	1.5	24.7
	FTSE/ASE 20	1827.34	1759.87	1881.25	1918.29 8/1/99	795.18 29/1/98		
Banks led climb as Alpha Credit Bank followed recent central bank interest rate cut with aggressive reduction of its own.								
Hong Kong	Hang Seng	10183.13	10273.77	10711.58	11810.60 25/3/98	6660.42 13/8/98	3.4	14.5
	HSCC Red Chip	747.40	756.41	864.34	1775.08 27/2/98	576.87 1/9/98		
HSI closed well above intraday low of 9,908 and March futures finished higher. HSBC gained while small banks slid.								
Hungary	Bux	6127.68	6158.51	6826.34	9818.36 23/4/98	3775.02 21/9/98	na	na
Leading shares Matav and MOL finished higher as investors went bargain-hunting.								
India	BSE Sens.	3292.28	3318.46	3353.22	4280.98 21/4/98	2764.16 20/10/98		
	Crisil 500	664.89	667.73	684.78	815.62 21/4/98	557.88 20/10/98	na	na
Indonesia	Jakarta Comp.	408.55	419.10	436.19	564.30 2/2/98	256.83 21/9/98	2.3	21.7
Fell as rupiah continued to weaken. Astra International lost 12.8 per cent after defaulting on its debts.								
Ireland	ISEQ Overall	5109.12	5064.95†	5233.87	5471.81 21/4/98	3745.11 8/10/98	1.9	19.3
Israel	Tel Aviv 100	298.21	296.72	307.83	337.43 8/6/98	249.19 8/10/98	na	na
Market edged higher along with European bourses.								
Italy	BCI Comit 30	341.90	342.18	358.01	398.60 20/7/98	248.61 9/10/98	1.6	26.8
	Banca Com Ital	1461.50	1440.86	1527.5	1854.36 7/4/98	1063.50 9/10/98		
	Mibtel General	23215.0	23134.0	24119.0	28377.00 6/4/98	16761.00 9/10/98		
Came off highs as investors responded cautiously to early weakness in Dow Jones Industrial Average.								
Japan	Nikkei 225	13738.86	13403.60	13360.97	17264.30 2/3/98	12880.00 9/10/98	1	43.9
	Nikkei 300	212.79	208.89	209.52	257.43 10/2/98	192.30 9/10/98		
	Topix	1069.94	1057.08	1055.98	1300.30 10/2/98	980.11 15/10/98		
	2nd Section	1153.18	1160.34	1156.25	1401.27 12/2/98	1028.84 13/10/98		
Broadly higher on improved turnover as easing yen against US$ boosted support for exporting stocks.								
Jordan	Amman SE	(u)	174.51	173.01	184.52 17/8/98	159.46 18/11/98	na	na
Local demand supported blue-chip companies.								
Malaysia	KLSE Comp.	593.34	594.04	593.33	745.38 27/2/98	262.78 1/9/98	2.4	15.5
Foreign buying of blue chips lifted index off its lows to finish almost unchanged. Falls beat rises by 7 to 3.								
Mexico	IPC	3331.42	3300.42	3459.84	5204.88 2/1/98	2858.18 10/9/98	1.9	14.1
❋Slow start as investors waited for movements in Brazil.								
Morocco	CASA	810.80	810.23	806.74	893.98 1/9/98	686.57 21/1/98	na	na
Volumes thin.								
Netherlands	CBS TtlRtnGen	1257.6	1241.1	1303.8	1498.00 20/7/98	974.90 8/10/98	2.1	22.4
	CBS All Shr	699.9	690.7	725.6	845.80 27/7/98	548.30 8/10/98		
Telecommunications leader KPN – up 7.6 per cent – turned today's best performance.								
New Zealand	Cap. 40	2111.76	2107.37	2136.61	2350.02 20/3/98	1898.24 2/10/98	5.2	20.6
Gains in Carters and Telecom lifted the main index while Small Cap index fell and falls beat rises by about 4 to 3.								
Nigeria	SE All-Share	(u)	5603.01	5604.57	6504.87 11/2/98	2226.40 12/1/98	na	na
Norway	Oslo SE Ind	1679.44	1652.92	1723.57	2378.86 4/5/98	1359.78 8/10/98	2.2	12.7
Investors encouraged by improvement in oil price. Engineer and ship-builder Kvaerner improved 6.9 per cent.								
Pakistan	KSE-100	924.19	920.56	923.22	1746.31 2/1/98	765.73 14/7/98	na	na
Slightly firmer ahead of long weekend.								
Peru	Lima Gen	1282.09	1267.51	1340.61	1903.91 4/5/98	1159.50 21/9/98	na	na
Philippines	Manila Comp	2063.28	2167.40	2148.46	2311.42 25/3/98	1082.18 11/9/98	1.2	15
Brazil's currency devaluation triggered steep fall across the boards as the peso also weakened.								
Poland	Wig	12847.5	13598.5	14199.9	18582.78 11/3/98	10473.78 9/10/98	1.9	18.5
Market fell to low for the year as investors reacted to global nervousness about emerging markets.								
Portugal	BVL 30	4853.49	4892.83	5076.13	6176.88 22/4/98	3689.08 2/10/98	2	28.2
	PSI 20	11237.15	11254.79	11665.04	14280.08 22/4/98	8114.51 2/10/98		
Shares surrendered early gains as European bourses edged lower in the afternoon.								
Russia	RTS	55.94	55.64	60.16	411.81 5/1/98	38.53 5/10/98	na	na
Strong activity in American depository receipts of several large companies.								
Singapore	SES All-S'pore	399.32	405.80	412.75	437.98 19/3/98	253.20 4/9/98	2.1	21.8
	Straits Times	1476.39	1506.06	1536.98	1698.75 19/3/98	805.04 4/9/98		
News of devaluation of Brazilian real sent shares sharply lower at open; buyers then nibbled back losses.								
Slovakia	Sax	96.88	94.07	94.58	182.48 5/1/98	81.45 20/11/98	na	na
Oil refiner Slovnaft led market higher.								
South Africa	JSE All Share	5665.3♥	5815.8	5863.0	8309.70 20/4/98	4894.40 11/9/98		
	JSE Gold	956.3♥	982.0	971.7	1310.80 8/10/98	672.80 18/3/98		
	JSE Indl.	6534.7♥	6459.3	6762.0	9842.78 20/4/98	5340.80 11/9/98	4.6	8.9
Heavyweight industrials picked up as institutions went bargain-hunting. Golds dipped as bullion fell below $286 an ounce.								
South Korea	KoreaCmpEx**	604.42	633.03	631.19	640.95 11/1/99	280.00 16/6/98	1	27.5
Falls exceeded rises more than 5 to 1 as local investors moved to sidelines amid fears of foreign selling.								
Spain	Madrid SE	828.18	827.77	885.27	947.62 17/7/98	642.29 5/10/98	1.8	24.1
Stabilised after 6.5 per cent fall on Wednesday, with several badly hit stocks recouping some lost ground.								
Sri Lanka	CSE All Share	578.62	587.79	584.12	789.70 4/5/98	481.60 3/9/98	na	na
News of Brazilian devaluation encouraged retail selling while foreign activity was subdued.								
Sweden	AffarsvarldnGen	(u)	3269.4	3357.0	3895.80 20/7/98	2411.70 8/10/98	2.2	20.3
Telecoms leader Ericsson was most traded share, adding 1.3 per cent.								
Switzerland	SMI Index	7098.0	7125.0	7427.2	8412.00 21/7/98	5128.50 5/10/98	1.3	23.8
	SPI General	4460.37	4479.88	4649.22	5237.39 20/7/98	3311.28 5/10/98	na	na
Came under pressure late in session as relatively buoyant pharmaceuticals stocks outweighed by weakness in financials.								
Taiwan	WeightedPr.**	6241.32	6319.34	6363.89	9277.09 2/3/98	6152.43 5/1/99	1.8	19.1
Financials fell 0.6 per cent while electronics lost 1.6 per cent. Turnover was slightly higher at T$74bn.								
Thailand	Bangkok SET	386.96	385.58	399.81	558.92 3/2/98	207.31 4/9/98	2.5	55
Late buying of selected blue chips lifted the index while in broader market falls beat rises by 7 to 6.								
Turkey	IMKB Nat. 100	2554.59	2447.53	2687.78	4530.98 16/7/98	1852.28 8/10/98	4.2	11.1
Banks were among most actively traded shares, with sector rising 3.7 per cent.								
Venezuela	IBC	4145.64	4217.78	4348.70	7858.92 23/3/98	2894.70 10/9/98	na	na
Zimbabwe	ZSE Industrial	(u)	6607.79	(u)	8795.71 31/3/98	5441.85 1/9/98	na	na
Fall reflected concerns about capital gains tax government wants to collect retrospectively.								
WORLD	FT/S&P World($)	(u)	305.35	309.55	318.51 6/1/99	242.36 5/10/98	na	na
	MS Capital Intl$	1145.2*	1144.8	1160.4	1185.58 6/1/99	888.60 12/1/98	na	na
CROSS-BORDER	DJ Stoxx 50	3314.27	3315.62	3468.15	3670.82 20/7/98	2433.07 8/10/98		
	DJ Euro Stx 50	3365.43	3338.45	3502.38	3685.39 6/1/99	2419.23 8/10/98		
	FTSE E300	1170.81	1169.65	1216.91	1327.88 20/7/98	893.55 5/10/98		
	FTSE E100	2702.26	2706.83	2823.00	3088.91 20/7/98	2049.91 8/10/98	na	na
	HSBC Drgn	(u)	231.55	238.71	273.91 26/3/98	181.71 5/10/98	na	na
	ING Brngs Emrg	110.19	112.64	118.16	123.12 7/1/99	88.84 11/9/98	na	na

** Sat Jan 9 : Taiwan Weighted Price [illegible]. §§ Montreal. ♦ Toronto. (a) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Jan 14: 4902.75 −79.37. † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◈ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ❋ Yields and P/E ratios are based on Datastream Total Market indices. ❋ Midsession.

THE NASDAQ-AMEX MARKET GROUP

4 pm close January 14

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
Lancaster	0.60	13	2070	30	29⅞	29⅞	−⅞
Oshkosh T	0.50	17	155	34½	33	33¼	−1/16
Seconnd			205	17	4⅛	4⅛	4⅛
StrDyn		15	1171	17⅞	17	17⅛	+⅛
Unmg	0.18	26	1673	35½	35⅛	35⅛	+⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THE NASDAQ-AMEX MARKET GROUP

AMEX

4 pm close January 14

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EASDAQ

Company	Mid price	Change	Volume	High	Low	Company	Mid price	Change	Volume	High	Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STOCK MARKETS

Bourses struggle for direction after shakeout

WORLD OVERVIEW

Equity investors spent much of yesterday sifting through the aftermath of Wednesday's severe shakeout and coming to few clear-cut conclusions about the immediate outlook for stock markets, *writes Jeffrey Brown.*

With Wall Street well off the bottom overnight and Tokyo taking heart from an improving dollar, Asian markets were relatively steady. Tokyo bounced 2.5 per cent as the dollar improved close to Y114, against the Y108 at which recent US and Japanese intervention was triggered.

The dollar stayed firm in Europe and the initial recovery across the euro-zone was impressive in spite of latent concerns for further currency turmoil in Brazil. Towards the close of the European day, however, there were clear signs of hesitation.

With Wall Street opening in sour mood, most markets came off the top and Frankfurt actually ran to a loss of 1.6 per cent.

German equities, which gained 7.2 per cent last week, have now shed 9 per cent in four days.

The first wave response from brokers to the latest Brazilian crisis is negative. Most notes concentrate almost exclusively on the outlook for global growth and profits.

Goldman Sachs expects "an orderly" devaluation of the real to reduce its forecast of global earnings growth in 1999 by 1 percentage point to 6 per cent. However, a disorderly devaluation could halve the estimate to 3.5 per cent.

Despite the general doom-mongering, bid speculation remained a potent prop to some share prices. Volvo and Gucci, two of the more likely takeover targets in Europe, cracked on apace.

Shares in the Italian fashion house, which is being wooed by French luxury goods giant LVMH, have comfortably more than doubled since October. More than a third up on its levels of last autumn, Volvo yesterday laid claim to two suitors – Fiat and Ford.

Certain growth sectors also showed themselves determined to rise above any short-term confusion.

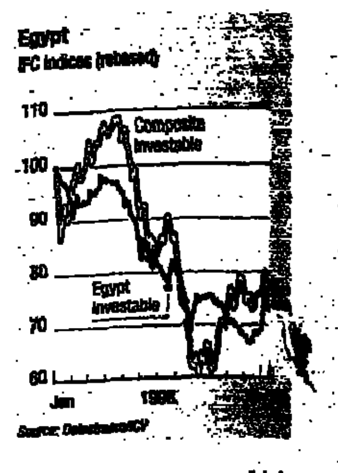
Telecoms shares were boosted by a round of positive news, which started with final-quarter earnings from Motorola, the US giant, comfortably ahead of broker estimates, and ended with news from Olivetti of strong demand in the Italian group's fixed line joint venture with Mannesmann of Germany.

Among individual stocks, Nokia jumped more than 6 per cent while Olivetti, the best performing share in the world last year in dollar terms with a rise of 553 per cent, ended 2 per cent better.

EMERGING MARKET FOCUS

New chief seeks end to old style

The new chairman of Cairo's stock exchange will seek to improve co-ordination between Egypt's capital market institutions and the government to avoid the conflicts that erupted during the tenure of his predecessor.



Since his promotion from the post of vice-chairman a month ago Sameh Torgoman has attempted to smooth away the bureaucratic resistance to change at the exchange.

His cautious strategy is likely to differ markedly from that of Sherif Raafat, the architect of the changes, who resigned in December. Bureaucrats opposed to reform seized on Mr Raafat's robust style of presentation as an excuse to hamper his attempts to bring the moribund exchange to life after 30 years of inactivity.

Mr Torgoman said: "Sometimes the way Sherif Raafat delivered the message was not the right way. We are saying the same things. But the success of the capital market is the result of the work of several institutions. My solution is to try and find the right communication channel between all the parties."

Mr Torgoman, whose legal training was followed by a spell as adviser to Egypt's minister of cabinet affairs and then as vice-chairman of the stock exchange, contrasts sharply with Mr Raafat, whose background lay in private sector finance.

The programme of reform will remain the same despite the change at the top. Membership rules are to be refined, a new automated trading system installed, and clearing and surveillance systems streamlined. The exchange is also planning to improve the standard of corporate governance of listed companies.

However, the efforts of the institutional reformers are increasingly undermined by the failure of the government to accelerate the privatisation programme, which remains the key spur to stock exchange activity.

A 33 per cent decline in share values since last March has halted any privatisation since August, with a corresponding effect on share trading despite a rise in the past five days.

"The privatisation programme has faced problems," Mr Torgoman said. "I have always recommended that it should be done through professionals who underwrite the process. The government is taking this into account."

Mr Torgoman's appointment was strongly supported by his predecessor. But market analysts see his experience in government as a strength and a weakness if the independent vision of the market is subsumed by political manoeuvring.

In the 18 months of Mr Raafat's term, the exchange was catapulted onto the global stage, its market capitalisation rising from E£70bn ($20bn) to E£80bn. However, solid investor confidence in the exchange has still to be won in order to attract more private sector companies.

"The voice of the market should be clear and loud. What I hope to do is to make this voice go through the right channels," Mr Torgoman said.

Mark Huband

Kodak drops 9.9% as Dow feels pressure

AMERICAS

Wall Street pulled back for a second day, with pressure on blue chips especially strong as Eastman Kodak tumbled almost 10 per cent by midday, *writes John Labate in New York.*

Worries about the flow of forthcoming quarterly earnings, which will pick up pace next week, sent many stocks lower.

The midday Dow Jones Industrial Average was 122.04 lower, a loss of 1.3 per cent, at 9,227.52. Eastman Kodak, a Dow stock, plunged 9.9 per cent or 7\frac{13}{16}$ to $70⅞ after the company reported earnings well below expectations. The blue-chip index was also pulled lower by AT&T, down $2¾ to $82, and Coca-Cola, off 1\frac{11}{16}$ to $63¾.

Other major indices also fell back, with the Standard & Poor's 500 down 8.14 to 1,226.26. Weaker technology prices sent the Nasdaq composite index down 5.51 to 2,311.30.

Small company shares lost ground as well, sending the Russell 2000 index off 1.01 at 423.85. Declining shares beat advancing ones on the New York Stock Exchange by a margin of 17 to 10.

Bond prices rose as stocks eased, with the benchmark long bond up ½ to 102$\frac{1}{32}$, sending the yield lower to 5.100 per cent.

In the semiconductor sector, shares of Motorola fell 2\frac{11}{16}$ to 68\frac{1}{16}$ despite a raised rating by analysts at BancBoston Robertson Stephens a day after the company reported its quarterly results.

Advanced Micro Devices tumbled 26 per cent or $8¼ to $23¼ after the company's earnings fell short of expectations. The shares were also hit by a downgrade by Nationsbanc Montgomery Securities.

Among other computer-related stocks, Apple Computer lost 6 per cent or 2\frac{13}{16}$ to 43\frac{1}{16}$ a day after the company reported its quarterly results.

Major banking shares were also lower, with Chase Manhattan off $1¾ to 70\frac{1}{16}$ and BankAmerica down 2\frac{1}{16}$ to $63¾.

Internet stocks were mostly higher, with the Internet index of the American Stock Exchange up 1.32 per cent to 713.86.

America Online climbed $2¼ to 148\frac{1}{16}$ and Netscape Communications gained 1\frac{1}{16}$ to 63\frac{1}{16}$. But Lycos shares plunged more than 7 per cent to 89\frac{1}{16}$.

TORONTO struggled to keep its head above water at midsession as the market tried to make up ground lost in recent sessions. The TSE-300 composite index was just 5.95 higher at 6,638.00 in volume of 34.7m shares.

Overall, nine of the TSE's 14 sub-indices opened higher, but with golds, base metals and forestry products heading lower. By midsession conglomerate and bank shares were leading the way down.

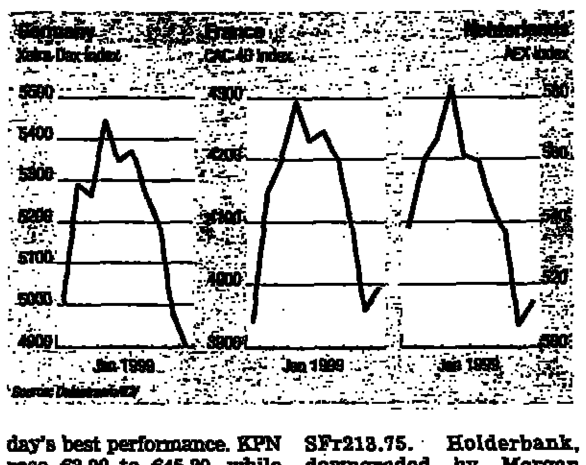
Computer graphics chip manufacturer ATI Technologies picked up 75 cents to C$19.25 in active trade of 6.6m shares after the Toronto-based company reported first-quarter earnings of 23 cents a share against 12 cents a year earlier.

Saskatoon's Potash Corp was among the big losers, down C$3.95 to C$100.30 after two prominent brokerages downgraded the chemical and fertiliser company.

Brazil fears weaken Frankfurt

EUROPE

The impact of the Brazilian crisis took a further toll on **FRANKFURT** which fell sharply late in the day as Wall Street made a weak start. The Xetra Dax index, which rallied to an intraday 5,093.66, turned back to close 79.37 lower at 4,902.75.



Banks, heavily sold on Wednesday, were hard hit again. Deutsche Bank tumbled €3.09 to €46.91, Dresdner Bank €1.85 to €34.45 and Commerzbank 78 cents to €25.12.

The motor sector was mostly weaker but DaimlerChrysler put on DM1.19 to DM 87.49 on the prospect of merger talks between DaimlerChrysler Aerospace and France's Aerospatiale.

BMW lost €40.50 to €610.50 and VW lost DM1.80. All three groups pledged yesterday to press ahead with multi-million dollar investments in new Brazilian car plants this year in spite of the crisis facing that country's economy.

The FTSE Eurotop 300 index rose 1.16 or 0.10 per cent to 1,170.81. See Euro Prices page.

Thyssen lost €8.53 to €147 after announcing lower first-quarter sales and incoming orders.

PARIS traded fairly narrowly in dull volumes to close with the CAC-40 index up 38.34 at 3,997.06. This was 38 points below the best of the session.

Renault was a firm feature, adding €2.30 or 6.1 per cent at €39.90, and so was France Telecom, which ended €3.60 better at €74.10. Oils lost ground. Total shed €3.30 at €91.70 and Elf Aquitaine €3.80 at €98. A downgrade from Goldman Sachs sent food retailer Carrefour down €22 at €597.

LVMH remained upbeat amid talk that it and Italian fashion house Gucci were close to a "deal". The luxury goods leader rose €5 to €196. Amsterdam-listed Gucci jumped €4.90 or 8.9 per cent to €60.

AMSTERDAM rebounded 6.82 or 1.3 per cent to 514.11 on the AEX index with telecoms leader KPN – up 7.6 per cent – turning in the day's best performance. KPN rose €3.20 to €45.20, while Heineken gained €2.15 to €50.45. Financials were mixed. Fortis added €1.55 to €34.20 but ABN Amro dipped 20 cents to €17.30 in volume of 15.2m shares.

Ahold was an active market, dipping 15 cents to €32.70 in 8.6m shares traded as rumours swirled around that it was keen to link up with Promodès, the leading French retailer.

ZURICH came under pressure late in the session as the relatively buoyant performances of the leading pharmaceuticals stocks failed to counteract further weakness in the financials.

The SMI index finished 37.0 lower at 7,068.0, off a high of 7,239.6.

Pharmaceuticals were in focus after Roche reported that 1998 sales rose 31 per cent. The figure was in line with expectations but still prompted a number of recommendations.

Upbeat comments about sales of its obesity drug Xenical and the prospects for its approval by the US authorities helped to keep Roche certificates up SFr130 at SFr17,400.

Novartis, which announced it was creating a unified registered share, gained SFr11 to SFr2,781. Some analysts set a price target for the stock well above SFr3,000.

Financials, which ran into heavy selling on Wednesday on worries over Brazil and China, saw an early rally run out of steam.

UBS finished SFr14.50 lower at SFr414.50 and CS Group was SFr5.75 down at SFr213.75. Holderbank, downgraded by Morgan Stanley, dropped SFr32 to SFr1,548.

MADRID stabilised after its 6.5 per cent fall on Wednesday, with several of the worst-hit stocks recouping some of the ground they lost on worries about their exposure to Latin America.

The general index was 1.7 per cent higher at one stage, before falls in early trading in New York and São Paulo sent it retreating to 828.18, a gain of 0.41.

Among banks, Banco Bilbao Vizcaya climbed 17 cents or 1.45 per cent to €11.86, compared with a 13.5 per cent tumble on Wednesday, while Santander rose 36 cents or 2.5 per cent to €14.64 after diving 12 per cent the previous day.

Estimates released by BT Alex Brown yesterday suggest that a third of BBV's profits and almost a quarter of Santander's earnings derive from Latin America.

Telefónica, which according to BT takes a tenth of its profits from Latin America, closed 88 cents or 2.4 per cent higher at €38.02, compared with a fall of 8.2 per cent on Wednesday.

MILAN came off highs as investors responded cautiously to early weakness in the Dow. The Mibtel index ended 81 or 0.4 per cent up at 23,215, compared with a peak of 23,640.

Olivetti, the telecommunications and computer group, attracted interest after its Infostrada fixed-line unit announced good results. The stock, which has been volatile this year, was 7.6 per cent higher at one stage before settling down to close at €3.07, up 7.1 cents or 2.4 per cent.

HELSINKI edged forward on a quiet day dominated by a sharp rise in the price of Nokia, the telecommunications company, after its US rival Motorola announced fourth-quarter results that were seen as unthreatening.

The Hex index added 150.07 or 2.6 per cent to end at 5,861.87. Nokia accounted for 74 per cent of turnover and finished €6.80 or 6.2 per cent up at €116.70.

Written and edited by Michael Morgan, Jeffrey Brown, Michael Peel and Peter Hall

São Paulo slips again after early rally fades

SAO PAULO reversed an early rally to move lower in the wake of Thursday's announcement of an effective devaluation of the Brazilian currency.

At midsession, the Bovespa index was off 162 at 5,455. Over the previous five sessions, the benchmark has tumbled almost 26 per cent.

MEXICO CITY, in contrast, pushed higher, helped by a rally for blue chips which reversed a run of nine consecutive trading losses for the market. Telmex rose 30 centavos to 22.70 pesos although brokers said volumes were on the thin side. At midsession, the IPC index was up 24.24 at 3,324.66.

CARACAS stayed weak with soft international oil prices and currency concerns keeping a tight lid on sentiment. The IBC index lost 76.54 or 1.8 per cent.

Industrials lead Jo'burg up

SOUTH AFRICA

Johannesburg regained its composure after Wednesday's sharp losses and the overall index put on 50.7 at 5,666.3.

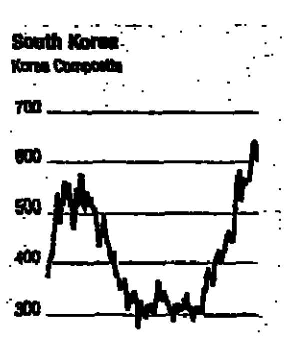
Heavyweight industrials picked up as institutions went bargain-hunting, sending the index 75.4 higher to 6,534.7. Brewer SAB was R4.30 higher at R98.90.

Golds dipped as bullion fell below $286 an ounce but losses were capped by a relatively weak rand. The index eased 5.7 to 956.3.

Coalition moves boost Tokyo

ASIA PACIFIC

Yen weakness and the formation of a coalition government set the scene for a positive performance in **TOKYO** and helped investors shrug off concerns about Brazil's currency devaluation, *writes Michiyo Nakamoto.*



Investors were relieved the ruling Liberal Democratic party and the Liberal party had finally overcome their differences and formed a coalition that will help the passage of the 1999 budget and key defence bills.

The Nikkei average closed up 2.5 per cent or 335.26 at the day's high of 13,738.86, up from a low of 13,369.08. The broader-based Nikkei 300 was up 2.90 at 212.79 and the Topix index of all listed shares 86 at 1,069.94.

Gaining issues outnumbered losers 734 to 339 with 163 issues unchanged. Volume rose modestly to 393.96m shares from 375.54m on Wednesday. Activity was light as investors prepared for a long holiday weekend.

Public funds were believed to be behind a good deal of yesterday's rise. But the yen's weakness also helped ease concerns about the impact of a strong currency on Japanese exporters and the economy as a whole.

Export stocks led the advance with Hitachi gaining Y40 to Y795. Toyota, hit by negative comments by its president regarding the strong yen, recovered to Y2,700, an increase of Y25. Bridgestone rose Y160 to Y12,430 and Aiwa Y260 to Y9,470. Semiconductor makers benefited from hopes of a recovery in the market. Toshiba rose Y5 to Y705 and Fujitsu Y12 to Y1,466.

SEOUL could not see beyond the potentially negative effects of the fallout from Brazil's problems on global financial markets. The composite index fell 28.61 or 4.5 per cent to 604.42.

Traders said foreign investors took profits on blue chips, which had been consolidating recently. Index heavyweights were hit hard, with Korea Electric Power Corp down Won1,300 or 4.1 per cent to Won30,300 and Pohang Iron and Steel Won1,700 or 2.6 per cent to Won63,100.

SINGAPORE ended lower as banks again came under pressure from investors worried about debt problems among Hong Kong-listed companies linked to China.

The Straits Times index retreated 3 per cent, but recovered to finish 29.67 or 2 per cent down at 1,476.39. Banks were further undermined by news of a rise in the three-month interbank rate to 2.417 per cent, compared with 1.563 per cent a week ago.

HONG KONG recouped some of its steep early losses as investors drew comfort from Tokyo's strength, but worries over the debt problems of Chinese companies continued to weigh on the market. The Hang Seng index, which sank 2.7 per cent in early trade, closed just 90.64 weaker at 10,188.13.

Hard currency mainland Chinese shares were also under pressure, sending the B share indices near to all-time lows. **SHANGHAI** B shares were 3.1 per cent lower and **SHENZHEN**'s B index fell 1.7 per cent.

MANILA suffered its biggest one-day fall in 12 months as investors took profits, leaving the market little changed from the level at which it started the year.

The main index closed 104.12 or 4.8 per cent lower at 2,063.28, compared with 1,968.78 at the end of 1998.

Analysts said selling was led by foreign brokers responding to Brazil's effective currency devaluation. Philippine National Bank fell 6.50 pesos or 8.6 per cent to 69.50 pesos, Manila Electric B shares 6.0 pesos or 4.6 per cent to 124 pesos, and San Miguel's B shares 2.5 pesos or 3.9 per cent to 62 pesos.

TAIPEI edged down as investors responded to events in Brazil by cashing in recent gains. The weighted index closed 78.02 or 1.2 per cent down at 6,241.32.

RECRUITMENT

ROBERT TAYLOR

Reinventing work

A new study argues that US companies need greater employee involvement

The extraordinary growth of employment in the US *continues* apace with no sign of any reverse. With only a 4.3 per cent recorded unemployment rate, the country is enjoying the lowest unemployment since 1969.

This success story is not confined to the highly skilled and better educated employees. The largest job gains are being made by the most disadvantaged groups – young people and black Americans. Net employment growth in the US last year totalled nearly 3m jobs. Moreover, wages that were stagnant for two decades *have started to rise* and so has productivity.

The engine of employment expansion has been in the varied services sector. But these are not all low-paid, insecure part-time jobs in hamburger joints. Business services continue to be buoyant while concern over the potentially destructive impact of the millennium bug at the end of this year is boosting demand for computer experts from supplying companies.

There are dire predictions that this kind of performance cannot go on for much longer but for the moment it should silence the sceptics who worry about the "end of work" and the triumph of technology. Indeed, the reality of the US labour market should provide an opportunity for the *government and* companies to develop policies that will enable the country to adapt to future structural changes.

This is the central message in an important new study on the future of work, written by David Levine from Berkeley University's business school.* He believes that not all is well with the US employment system. In the past the country thrived by producing large quantities of highly standardised goods. Now the trend is towards more customised products and high-quality services. "In today's economy, semi-skilled and unskilled labour are less valuable," argues Prof Levine. He believes a "different kind of worker is needed" and the economy is not getting enough of them.

What needs to be done, he argues, is to loosen rigidities in corporate structures which provide few incentives for employees to improve their skills and display little enthusiasm for investing in social capital. Prof Levine believes in the spread of existing best employment practices which involves ensuring service providers are held accountable to their clients through the creation of transparent and standardised assessments to measure individual and team performances. Sensibly Prof Levine believes necessary reform can be achieved by going with the flow of US employment practices without seeking to impose foreign models from Japan or western Europe.

However, one of his most striking arguments is that the way to better employee performance lies through what he calls the "reinvention of workplace regulation". This would encourage greater employee involvement and approval in the making of company decisions which would ensure more efficiency and competitiveness. He is particularly enthusiastic about the creation of employee consultative bodies similar to the works councils in operation in most mainland European countries. Prof Levine argues that they could provide a highly effective means for motivating and training employees.

He does not see these workplace bodies being based on notions of equity and representative democracy. In his view they can help companies to replace their traditional command and control rules with more accountable ways of working that encourage problem-solving and greater use of incentives to stimulate quality and meet customer needs. Prof Levine also has some sensible proposals to develop what he calls the "life cycle" of labour and social policies – from improving childcare for single mothers who want to work to a school-to-work programme for poor neighbourhoods through the encouragement of partnerships between schools, business and voluntary bodies. He calls for a "re-employment system that moves people from one job to the next with maximum transferability of job skills and without loss of health insurance or the value of pensions".

It may be argued that such ideas are interesting but not necessary to guarantee the continuation of the US's impressive employment performance. But such a view would be short-sighted. The case studies provided by Prof Levine suggest much of what he favours is already being implemented in practice with positive results. His emphasis on encouraging employees to equip themselves with skills for the new workplaces by providing them with a range of cash incentives for lifetime learning is coupled with calls for one-stop career centres to help those without work to find jobs and a labour market information system based on employer needs.

Prof Levine's book is practical and innovative and thankfully free of management-speak. His proposals have a relevance far beyond the particular concerns of the US workplace and they ought to stimulate a wider debate among policymakers on how to prepare for employment in the new workplaces.

**Working In the Twenty-First Century, by David Levine, M.E. Sharpe, £49.50 hardback, £19.95 paperback.*

International living costs index: selected cities

Country	City	Living cost index	£1 =	RPI %
Japan	Osaka-Kobe	137.30	200.876	-0.3
Japan	Yokosuka	127.86	200.876	-0.3
Japan	Tokyo	124.67	200.876	-0.3
Congo DR (Zaire)	Kinshasa	119.38	231.811	-18.0
Japan	Atsugi	118.01	200.876	-0.3
China (PDR)	Hong Kong SAR	117.36	13.071	-1.5
Norway	Oslo	108.29	12.733	2.1
Gabon	Libreville	106.47	930.258	1.7
Switzerland	Geneva	102.81	2.306	0.1
Denmark	Copenhagen	100.41	10.648	1.8
Sweden	Stockholm	100.28	12.918	-0.5
Brazil	Brasilia	100.14	2.000	3.8
UK	London	100.00	1.000	3.2
Chad	N'Djamena	99.86	[illegible]	1.7
Israel	Tel Aviv	99.20	7.096	3.2
Germany	Hamburg	99.01	2.774	0.8
Uruguay	Montevideo	98.44	18.123	10.2
Brazil	Sao Paulo	97.70	2.000	3.8
Finland	Helsinki	96.75	8.435	1.1
Germany	Munich	96.74	2.774	0.8
Italy	Genoa	96.74	2744.308	1.8
Italy	Palermo	96.74	2744.308	1.8
Brazil	Rio de Janeiro	95.91	2.000	3.8
Taiwan	Taipei	94.64	[illegible]	0.4
China (PDR)	Beijing	94.47	13.981	-1.5
Korea (South)	Seoul	94.44	2217.088	6.8
Jamaica	Kingston	93.42	60.128	8.6
Singapore	Singapore	93.08	2.740	-0.8
France	Paris	92.74	9.303	0.8
Austria	Vienna	92.62	19.52	0.9
Ukraine	Kiev	92.56	6.166	10.1
Italy	Sardinia	92.48	2744.308	1.8
Italy	Naples	92.30	2744.308	1.8
Netherlands	The Hague	91.83	3.129	1.7
Argentina	Buenos Aires	91.56	1.686	1.1
UAE	Dubai	91.35	6.186	4.5
Tanzania	Dar es Salaam	91.26	1113.173	12.6
Switzerland	Zurich	91.23	2.306	0.1
Syria	Damascus	90.78	[illegible]	0.4
Ireland	Limerick	90.50	1.112	3.2
Peru	Lima	90.31	5.141	6.2
Senegal	Dakar	89.92	930.258	1.8
Spain	Barcelona	89.66	236.600	1.8
Ivory Coast	Abidjan	89.36	930.258	5.2
Ireland	Dublin	89.26	1.112	3.2
Germany	Frankfurt	89.12	2.774	0.8
Belgium	Brussels	88.65	57.264	0.8
Niger	Niamey	88.61	930.258	4.1
Australia	Canberra	88.34	2.732	0.7
Saudi Arabia	Jeddah	88.23	6.326	0.3
Nigeria	Lagos	88.09	145.720	0.8
Italy	Rome	87.85	2744.308	1.8
Saudi Arabia	Riyadh	87.60	6.326	0.3
Kuwait	Kuwait	86.82	0.509	4.0
New Zealand	Wellington	85.90	3.221	1.2
Morocco	Casablanca	85.67	15.440	3.2
Germany	Bonn	85.53	2.774	0.8
Italy	Milan	85.30	2744.308	1.8
China (PDR)	Shanghai	85.19	13.981	-1.5
Mozambique	Lourenco	85.11	–	1.8
Chile	Santiago	84.72	780.373	4.8
Croatia	Zagreb	84.08	10.725	8.2
Burkina Faso	Ouagadougou	83.97	930.258	1.8
Slovenia	Ljubljana	83.98	285.824	9.1
Canada	Ottawa	83.60	2.608	1.1
Sri Lanka	Colombo	83.60	112.750	10.3
Kenya	Nairobi	83.65	100.86	5.9
Netherlands	Amsterdam	83.66	3.129	1.7
Germany	Berlin	83.40	2.774	0.8
Latvia	Riga	83.40	[illegible]	5.4
Nicaragua	Managua	83.40	19.474	7.7
Canada	Toronto	83.23	2.608	1.1
Morocco	Rabat	83.04	15.440	3.2
UAE	Abu Dhabi	82.01	6.186	4.5
Bangladesh	Dhaka	81.42	81.801	6.9
Guatemala	Guatemala City	81.32	11.102	7.3
Algeria	Algiers	81.13	97.985	5.1
Ethiopia	Addis Ababa	81.13	11.789	-5.3
Lithuania	Vilnius	81.11	6.747	6.7
Canada	Montreal	80.95	2.608	1.1
Luxembourg	Luxembourg	80.87	57.244	1.0
Australia	Sydney	80.38	2.732	0.7
Benin	Cotonou	80.26	930.258	3.4
Greece	Athens	80.21	470.062	5.2
Malta	Valletta	79.43	0.629	4.3
Philippines	Manila	79.15	70.104	10.0
Tunisia	Tunis	78.88	1.903	3.3
Albania	Tirana	78.58	254.800	18.9
Spain	Madrid	78.30	236.600	1.8
Paraguay	Asuncion	77.94	4773.140	10.8
Cyprus	Nicosia	76.94	0.852	1.8
Portugal	Lisbon	76.70	284.440	3.1
Bahrain	Manama	76.20	0.636	4.7
El Salvador	San Salvador	75.80	14.788	3.5
Malaysia	Kuala Lumpur	74.90	6.408	5.6
Thailand	Bangkok	74.07	63.341	7.0
Pakistan	Islamabad	73.19	85.922	5.6
India	New Delhi	72.94	71.281	15.0
Bolivia	La Paz	72.48	9.462	9.1
Egypt	Cairo	72.36	5.751	3.6
Colombia	Bogota	70.90	2895.960	17.8
Costa Rica	San Jose	70.28	444.703	10.8
Honduras	Tegucigalpa	69.79	22.761	14.2
Mexico	Mexico City	69.67	16.976	15.9
Panama	Panama City	69.65	1.687	0.4
Estonia	Tallinn	69.53	22.274	12.6
Poland	Warsaw	69.38	5.794	10.5
Lesotho	Maseru	69.36	9.614	9.0
Czech Republic	Prague	69.05	49.818	6.8
Hungary	Budapest	67.86	364.278	12.8
South Africa	Pretoria	67.83	9.814	9.1
Nepal	Kathmandu	67.52	115.347	8.7
South Africa	Johannesburg	66.96	9.614	9.1
India	Bombay	64.77	71.281	15.0

Source: P-E Inbucon, Nov 1998

Living costs

Japan remains the most expensive place to live, according to P-E Inbucon's Worldwide Living Costs survey covering 120 countries. The index is drawn from seven international indices and based on the needs of a married couple with two schoolchildren, excluding house rents and tax levels. The exchange rate is that on October 30.

P-E Inbucon, 34 Paradise Rd, Richmond-upon-Thames, Surrey TW9 1SE TEL +441813325727. The report costs £650. The index of indices is £200.

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More information: Ari Lehtoranta, tel. +39 348 2200742,
email: ari.lehtoranta@nokia.com or
Timo Hänninen, tel. + 358 40 585 3135,
email: timo.hanninen@nokia.com
Internet search words: Networks Services Manager

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More information: Reijo Smolander, tel. + 358 40 552 9681,
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More information: Carl-Magnus Cedercreutz,
tel. +358 40 530 2641,
email: carl-magnus.cedercreutz@nokia.com
Internet search words: Marketing Manager

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More information: Kirsi-Marja Salmela, tel. +358 40 504 5124,
email: kirsi-marja.salmela@nokia.com
Internet search words: Process Development Manager

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Please send a full cv and current salary details, quoting ref: 990102, to SHP Associates, Aldermary House, 10-15 Queen Street, London EC4N 1TX. Tel: 0171 815 8888. Fax: 0171 815 8800. E-mail: shpa@shpa.co.uk Internet: http://www.shpa.co.uk

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- Ambitious and self-reliant you must thrive working within a young, specialist organisation in a dynamic and growing industry. First class communication and influencing skills and the stature and credibility to operate and influence successfully at Board level are pre-requisites for the role.
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Please apply in writing quoting reference 8041 with full career and salary details to: Fiona Makowski, Whitehead Selection 11 Hill Street, London W1X 8BB Tel: 0171 290 2054. Fax: 0171 290 2050 E-mail: fiona.makowski@amrop.com www.whiteheadselection.co.uk

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Annus Mirabilis?

Investment banking, by its very nature is a volatile beast. 1998 was no exception; there were survivors and casualties. Which will you be in 1999? If you would like an overview of your marketability we are well placed to give you expert advice on current and future trends. Our consultants specialise in the following markets: Quantitative Analysis, Specialised Finance (Project/Structured and Corporate Finance) M&A, Credit Analysis, Venture Capital and Corporate Banking.

Credit Analysis/Risk
£30–£70k + package

Our client, currently the most forward thinking US investment bank in the above area, is seeking to strengthen its credit operation with quality individuals determined to make a difference in a vitally important sector. To take advantage of these progressive opportunities you must have:-

- At least 18 months credit experience gained from an established investment bank.
- Specialist analysis of Corporate, F.I.'s, counterparties or sovereigns
- Credit analysis exposure in foreign markets as well as the UK.

It is an advantage to have formal credit training, credit limit authority and a second European language.

Contact Lee Humphrey.

Quantitative Analysis/Risk
£35–£100k basic + bonus

This will be a year where the only constant will be change. Are you comforted in the knowledge that all is secure in these uncertain times? If not, it may be the time to consider other options. We are currently servicing vacancies from major US and European Investment Houses spanning a whole range of quantitative abilities. To qualify you will have:

- Phd in a quantitative subject
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It will undoubtedly be an "excellent year" for the right candidate. This could possibly be you.

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ACAs in Corporate Finance
£35–£65k + bonus

If you are a recently qualified ACA seeking a new challenge, we have a number of excellent new corporate finance opportunities.

This is an opportunity to develop transaction experience, alongside the high-profile market leaders of the corporate finance world, consequently candidates need the following qualities:

- Excellent academics and first time exam passes
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Here is a genuine chance to have an impact at the heart of the city. Successful candidates will gain excellent financial rewards and rapid career progression.

Contact Kathryn Thornton.

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£45–£100k +++

Are you an investment banker who wishes to join one of Europe's premier players? Our client – at the fore of *M&A headlines* seeks enthusiastic candidates of the highest calibre to further bolster its positioning.

As a generalist or specialist corporate financier you must have:

- At least one years' experience from a quality investment bank
- The prerequisite superb academics
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If you fulfil our clients stringent demands, this opportunity will guarantee client exposure, proximity to the deal and excellent remuneration.

Contact Amanda Lote.

16–18 New Bridge Street, London EC4V 6HU
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Business Development Manager

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The client is a leading independent and specialist provider of Offshore Trust and Corporate Management and Administration Services. With responsibility for assets valued in excess of $5 billion, the company has an impressive track record. It now has an exciting opportunity for a dynamic individual to join its management team.

The Business Development Manager will report to the Chief Executive Officer. They will be accountable for identifying and developing new business opportunities with companies and high net worth individuals throughout the world. This includes creating and implementing the new business development strategy. International travel will be involved.

Candidates must have a good technical appreciation of offshore trusts and corporate structures, and they must be able to demonstrate an innovative approach to addressing client needs. Of graduate calibre, they will be team orientated and self motivated with the drive to deliver to plan. A second language would be an advantage. Strong commercial skills and well developed interpersonal and presentation skills are essential.

A highly attractive remuneration package will be offered to the right candidate.

If you have the drive and enthusiasm to add value to this business at an exciting time, please reply in confidence by sending your CV to Michael Fahey at Thornton Fahey, 25 Adam & Eve Mews, London W8 6UG.
Telephone 0171 937 6030 Facsimile 0171 938 3010.

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Candidates for these roles will require equally high levels of commitment and excellence, therefore our selection criteria will be rigorous.

FUND MANAGER – US DESK

From an already well-established base there is enormous potential for growth and candidates should relish the prospect of contributing to a team poised to make its mark. Ideal candidates, with a minimum of two to three years' experience within institutional or retail fund management, will already have achieved Threshold Competency (perhaps recently) and will be focused on working together to deliver consistent outperformance.

The emphasis is on teamwork, sharing both knowledge and responsibilities: the personality to suit is therefore crucial. High levels of energy, flexibility, creativity and an enthusiasm for US companies all apply.

TRAINEE FUND MANAGER – UK

The concentration will be on providing research to the UK Equities team, while working towards Threshold Competence and Fund Management. Candidates already studying for the IIMC will be particularly attractive. Ideal candidates will have complemented their original degree course with a further educational qualification such as an MBA or MSc and have some recent work experience, preferably within the financial markets.

Of paramount importance, however, will be a demonstrable desire to be a highly successful Fund Manager. We will be looking for a sparky, confident individual; linguistic abilities, or as importantly a cultural appreciation of Continental Europe would provoke considerable interest.

In each case the salary/benefits package is wholly flexible, and attractive enough to appeal to the best.

Please send full career details, including current remuneration and clearly indicating your preferred opportunity, to our retained consultant, **Malcolm Lawson, at Exchange Consulting Group, 13 St. Swithin's Lane, London EC4N 8AL. Fax 0171 929 2805. Tel 0171 929 2383.** Email malcolm@exchangeconsulting.com

Any direct applications will be forwarded to him.

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International Personal Banking - Europe, Middle East and Africa, a division of Citibank, provides a range of off-shore investment solutions to medium to high net worth individuals from around the world through its centres in London, Jersey, Switzerland and Luxembourg. Due to expansion we are seeking Relationship Managers, with the relevant marketplace knowledge and fluency in Arabic, Greek or Italian who will proactively grow an existing client portfolio and acquire new customers:

• **London**

Two Relationship Managers to cover the Middle East/the GCC markets and one Relationship Manager for Greece

• **Geneva**

One Relationship Manager to cover the Middle East/the GCC markets

• **Lugano**

One Relationship Manager to cover Italy

To apply, please send your CV with current salary details and the position you are applying for to Wendy Cryer, Human Resources, Citibank NA, 364-366 Kensington High Street, London W14 8NS or fax 0171 508 7194.

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Frank Russell Company specialises in the provision of multi-style, multi-manager solutions to investment management and consulting clients around the world. With over $40bn directly under management and over $1 trillion under the stewardship of our consulting practice, Russell is well-placed to succeed in a *market hungry for high quality investment products and advice*.

Investment analysis drives everything we do. Our team of over 40 research analysts is dedicated to the delivery of world-class manager research and is supported in this endeavour by extensive databases, analytical tools and unrivalled access to investment management organisations around the globe. Our portfolio management group applies this research to construct and manage portfolios using the multi-manager concept. We are looking for dynamic professionals to fill vacancies in each of these teams.

The job as a Russell analyst involves conducting extensive interviews with key investment personnel as well as performing detailed quantitative analysis and meeting institutional clients. You need to be a fast thinker, have highly developed communication skills and thrive in a hard-working team environment. If you have several years of experience in either the fixed income markets or equity markets and are considering a change in career direction, then we'd like to hear from you. Alternatively, we would entertain applications from recent graduates with exceptional academic records.

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Institutional Sales

Die Aufgaben: Akquisition, Betreuung und Beratung nationaler oder internationaler Anleger in einer breiten Multiprodukt-Sales- bzw. für das Inland eher Domestic/zinslastigen Angebotspalette einschließlich der jeweiligen Derivate.

Die Anforderungen: Mehrjährige Erfahrung im Zins- und/oder Aktiengeschäft, solides volkswirtschaftliches und Kapitalmarktwissen, ausgeprägte Sales/Vertriebsorientierung und Beratungsstärke sowie gute Englischkenntnisse.

Unsere Projekte: TNV (Sales Inland) bzw. TNA *(Sales International)*

Firmenkundenbetreuer Kapitalmarkt

Die Aufgaben: Beratung und Betreuung insbesondere von inländischen Corporates im Bereich Derivate/Zinssicherungsinstrumente sowie der Asset Allocation.

Die Anforderungen: Ca. 3 Jahre Praxis und solides Know-how als Firmenkundenbetreuer in Kapitalmarktprodukten sowie Erfahrung in der Bilanzanalyse und gute Englischkenntnisse, ggf. auch als Depot-A-Manager oder Treasurer.

Unser Projekt: TNF

Senior Trader FX-Optionen

Die Aufgaben: Professionelle Führung eines Multi-currency Optionsbuches, insbesondere in den Haupthandelswährungen.

Die Anforderungen: Mehrere Jahre FX-Handelserfahrung insbesondere im Optionssegment der bedeutenden Welt-Währungen. Routine im Umgang mit FX-Derivaten, Teamorientierung sowie Englischkenntnisse, ggf. erste Führungserfahrungen.

Unser Projekt: TNX

Geldhändler

Die Aufgaben: Interbankenhandel im Laufzeitenbereich bis zwei Jahre mit Schwerpunkt in DM einschließlich der zugehörigen Derivate, ferner Unterstützung der Geldmarkttreasury bei der A/P-Steuerung.

Die Anforderungen: Bankausbildung, ggf. berufsspezifische Weiterbildung (Bankakademie), mindestens drei bis vier Jahre Erfahrung und Erfolge im Geldhandel, Routine im Umgang mit Geldmarktderivaten, händlerisches Geschick, Teamorientierung sowie gute Englischkenntnisse.

Unser Projekt: TNF

Das Angebot: Wir wenden uns an Kandidaten, die bei entsprechender Qualifikation die Chance haben, sich beruflich weiterzuentwickeln. Die mit dem Ausbau des Investment Banking dieser soliden Adresse einhergehenden beruflichen und persönlichen Herausforderungen und Chancen, verbunden mit einem sicheren Arbeitsplatz, sollten im Vordergrund der Überlegungen stehen. Die Positionen sind angemessen ausgestattet und bieten überdurchschnittliche Sozialleistungen.

Ihre Kontakte: Herr Thomas E. Schüller unter +49 6172 490414 und Herr Matthias Junges unter +496172 490412 im Büro. Senden Sie uns Ihre Unterlagen bzw. Ihre Vita, auch per e-mail an SJP-Team@t-online.de. Wir senden Ihnen dann gerne die gewünschte Unternehmens- und Positionsbeschreibung. Diskretion ist selbstverständlich.

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Leading Investment House requires a senior manager for their reporting function. Knowledge of IMRO, SFA, PIA, is essential. Enormous opportunities to grow with in this company as business is literally booming

UNIT TRUST ACCOUNTANTS
Work hard, play hard investment bank requires experienced accountants from the unit trust industry. Candidates with a minimum "A" Level education and attention to detail will welcome an introduction to a company so committed to staff development.

FINANCIAL ANALYSTS
Service focused investment bank seeks both part qualified and qualified accountants with a desire to work in the reporting area. The role will give exposure to a whole European financial control function and a fast career progression is encouraged.

DIVIDENDS AND COUPONS ACCOUNTANT
Top tier investment bank is eagerly looking for investment dividends accountants to join their busy team. A minimum upper second degree and experience in the banking field is required. For the more senior positions available, accountancy qualifications are essential.

INVESTMENT ACCOUNTS VALUATIONS MANAGERS
Technical knowledge of investment accounting with proven communication and man management skill essential. Financial and risk business awareness and an appreciation of tight deadlines, high pressures and pricing issues is required on a daily basis.

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- *Hands on management of the UK and European Sales Teams*
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- General operational management designed to drive the business forward
- Profit centre accountability
- Introduction of products and services into existing and new market sectors

The person

- *An experienced sales and marketing professional* with a proven track record
- Technology-based product background preferred
- Team leader with excellent motivation and man-management skills
- Pan-European sales experience
- A dynamic and flexible individual able to move quickly towards a Board position

Interested candidates please send full CV to:
Box A6273, Financial Times, One Southwark Bridge, London SE1 9HL

EUROPEAN EQUITY FUND MANAGER

Geneva

TAL Asset Management (Europe) is the European arm of one of Canada's leading fund management companies, with Can$40 billion under management. The Geneva operation is growing rapidly and is now looking to hire an experienced fund manager to join the European equity management team. The working environment is young and international.

THE ROLE

- ▲ Reporting to the Managing Director with direct responsibility for researching and managing specific pan-European sector investments
- ▲ Develop the company's investment methodology and practices
- ▲ Contribute towards the growth of the company through occasional marketing and client servicing activities

THE CANDIDATE

- ▲ Graduate with at least seven years' in-depth research experience of European markets. Additional financial qualification desirable
- ▲ Highly motivated independent thinker
- ▲ Disciplined approach to investment
- ▲ Strong interpersonal skills. Flexible team player willing to fit into a young and dynamic working environment

Please write with your cv to:
Managing Director, TAL Asset Management (Europe), 13, route de Florissant, 1206 Geneva
or e-mail to kdoyle@tal.int.ch

Our client, one of the UK's leading International Investment Banks, has the following requirements in the Equities Department in London:

SENIOR SALES EXECUTIVE — Ref. No. 035

The successful candidate will be responsible for Japanese equities and derivatives sales. This role will encompass promoting new services and resources of the firm to new and existing clients; maintaining and developing a wide range of contacts with existing/new clients and with other international specialists; maintaining critical market awareness of new issues and offers for sale and reporting back Investor reaction; contributing to the development of new products and services. The role may require extensive travel in order to sell the investment and trading services of the organisation.

Essential experience - at least five years experience selling in this market.

SENIOR SALES TRADER — Ref. No. 036

Specialist in trading Japanese equities and derivatives, the successful candidate will be responsible for running a significant client facilitation book, monitoring market movements and position exposures. As with the Senior Sales Executive role, the candidate must be a strong sales promoter.

Essential experience - at least five years trading experience of Japanese Equities

Reporting to the Head of Equities, candidates for both roles will be fluent in the Japanese language, ambitious with excellent communication and interpersonal skills. Interested candidates should write, enclosing a current CV and quoting the appropriate reference number, to Paul McIntyre at the address below. Closing date for applications: Friday 29th January 1999.

PAUL MCINTYRE CONSULTING GROUP LTD.
Harap House, 77A High Street, Reigate, Surrey RH2 9AH
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Participations Officers

The Institution
The International Finance Corporation (IFC) is the private sector arm of the World Bank. IFC's mandate is to foster economic growth by promoting private sector investments in its member countries. In its project financing role, IFC provides loans and makes equity investments.

The Job
IFC's B Loan Management Unit is seeking **Participations Officers** to lead teams working with our international commercial banking partners at our **Washington, DC** location. These primarily European based partners have purchased participations in international project finance and financial markets projects through IFC's B Loan Program. Participations Officers would be responsible for managing a *portfolio of approximately $1 Billion in Loan Participations.* Responsibilities include working with the participants and IFC lending staff on complex issues including the restructuring and rescheduling of long term debt.

Qualifications
Candidates should have an MBA from an accredited institution and/or 5+ years experience managing complex international syndicated loans. Requirements include specific knowledge of international credit structures, financial markets and international bank operations as well as the ability to work in a consensual team environment. Effective oral and written communication skills *in English are essential.*

IFC offers a competitive compensation and benefits package, including relocation expenses upon appointment, and for expatriates, provision to maintain cultural ties with the home country. Interested candidates should send resume in English, **by January 31, 1999, to: IFC Recruitment Division, Code POFT199, 2121 Pennsylvania Avenue, NW, Room F-11-K-292, Washington, DC 20433.**

No phone calls or faxes please.

IFC International Finance Corporation

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Financial Planning & Analysis Manager

Central London — **up to £55,000 + Car + Benefits**

Reporting to the Finance Director, the role will support a new and dynamic management team through a period of significant change and high profile investment.

It will demand the ability to identify, prioritise and analyse the essential reporting and project assignments whilst defining appropriate procedural and systems solutions.

Key responsibilities of this demanding, commercial role will include:

Budgeting, forecasting and analysis of company performance on a timely and appropriate basis.

Management, development and motivation of the financial planning team.

Defining the framework of KPIs and liaison with line managers to monitor and comment on performance.

Financial appraisal of projects and assisting with the evaluation and integration planning for potential acquisitions.

The role will require a qualified accountant with at least three years PQE. Practical exposure in the areas mentioned above would be highly valued, although the potential and quality of the applicant is paramount.

The Individual should possess a strong academic record and be able to demonstrate a track record of achievement that suggests they will be potential Directors of the future.

Reference 463947

Financial Accounting Manager

Central London — **up to £55,000 + Car + Benefits**

As above, the role will support a new and dynamic management team through a period of significant change and high profile investment. Reporting to the Finance Director, the position will demand the ability to identify, prioritise and analyse the essential reporting and project assignments whilst defining appropriate procedural and systems solutions.

This challenging position will require a consultative and questioning approach. Whilst taking responsibility for financial accounting processes and systems, the emphasis will be on driving the department forward, challenging current methodologies, redesign of existing systems and implementation of best working practice.

The role will encompass the management, development and motivation of the team, integration of the financial systems of acquisitions, development of KPIs for the department and developing service level agreements with line managers.

You will have a minimum of three years PQE. A background in operational review, consultancy or line management will be valued although the potential and quality of the applicant is paramount.

You should possess a strong academic record and be able to demonstrate a track record of achievement that suggests you are a potential Director of the future.

Reference 464177

Interested applicants should apply in writing to Guy Stacey at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN, quoting the appropriate reference number. Telephone 0171 269 2259 or fax 0171 242 1020. e-mail: guystacey@michaelpage.com

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Business Audit with a difference

City — **£ Excellent**

Our client is a highly reputable US Investment Bank with a distinct global vision and has built its business on a commitment to excel in serving its clients' complex financial needs. Due to recent expansion and an increased risk profile, the Financial Risk Management and Information Team is now recruiting for two experienced Business Auditors. Unlike more traditional audit functions, this team is truly in partnership with the Business Managers. Through its innovative control expertise, they play a key role in the growth and development of the bank, at the forefront of change and new techniques. The ideal profiles for the two roles are as follows:

Senior Business Auditor

Qualified accountant with 3-4 years post qualified experience with audit and product control experience gained within another investment bank. He/She must have the maturity and ability to effectively manage the audit plan, influence senior business managers and deputise for the head of the team.

Business Auditor

Qualified accountant with 1-2 years post qualified experience, preferably with audit and product knowledge gained within another financial institution.

For both positions, the following qualities are also of paramount importance:

- Excellent communication and interpersonal skills.
- Highly developed analytical and strategic skills.
- Team player.
- Self motivated and determined to excel.

The Bank provides the opportunity to develop everyone's potential and creativity, as well as recognising and rewarding excellence. If you are a high calibre individual and are interested in further details of the roles available, please send your CV with salary details in confidence to Stephanie Warren, Director on 0171 269 1852 for the Senior Business Auditor position or Lucinda Barlow on 0171 269 1841 for the Business Auditor position at Michael Page City, 50 Cannon Street, London EC4N 6JJ or fax to them on 0171 329 2974, or e-mail: stephaniewarren@michaelpage.com / lucindabarlow@michaelpage.com

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You'll conduct acquisition and divestiture reviews, together with audits of operations spanning industry sectors including commercial, marine, defence and information technology. Working closely with all levels of management, you will also evaluate and improve internal controls and procedures. You'll spend around 40% of your time travelling throughout the USA.

Your one to four years' PQE following your ACA will have been gained within a major UK audit practice, preferably one of the Big Five. Although international experience is not mandatory, it's important that you have the international mindset, capacity for lateral thought and the advanced interpersonal skills required to propose workable solutions and defend your recommendations in culturally diverse environments.

You'll find that Corporate Audit presents a first-class training ground for long-term career enhancement and success here will present many on-going opportunities to move on to other roles within the organisation. In addition to an attractive salary, you will enjoy relocation assistance which will cover visas and work permits.

Interested applicants should apply to Robert Macmillan stating current remuneration and quoting reference number UKR110355 at Nicholson International (Search & Selection Consultants), Bracton House, 34-36 High Holborn, London WC1V 6AS. Alternatively, fax your CV on 0171 408 8128, or e-mail: vanessa_jonas@nicholsonintl.com

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As a result of a recent acquisition, and following an internal promotion, a Divisional Finance Director of the highest calibre is sought to drive forward the Direct Response and Commercial Division, which consists of 12 operating units across Yorkshire, the Home Counties and the South West.

A key member of the Divisional Board and leading a team of 16, you will report directly to the Managing Director in Yorkshire, with a dotted line to the Main Board Director responsible for finance. With around 10 years experience in ideally printing or a fast moving manufacturing environment. You will possess:

- A successful track record in corporate reporting and financial analysis.
- Very strong commercial experience of costing and pricing.
- Excellent experience in operational planning and budgeting.
- Very strong management and financial accounting skills.
- Strong cash flow management and systems conversion and development experience.

Critical to the success of the role is the ability to provide broad commercial input to all areas of the business, and the successful candidate will therefore be:

- Highly commercial, able to influence functions outside finance.
- Mature, with first class interpersonal, presentation and relationship development skills.
- Strong personality, robust with a high degree of energy.
- A strong team player, who is hands-on and able to motivate.

Please forward your CV with a daytime telephone number in strictest confidence to our retained consultant James Newman, Executive Division at Michael Page Finance, Leigh House, 28-32 St Pauls Street, Leeds LS1 2PX or fax on 0113 243 3177. Ref 477115. e-mail: jamesnewman@michaelpage.com

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Head of Corporate Development - Europe

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THE ROLE

- Work closely with the senior management team in achieving the ambitious growth plans for Europe, reporting to the Executive.
- Originate and manage a wide variety of transactions across the inter-related disciplines of property development, asset management, funds management and transaction services.
- Operate in a small dynamic team, contributing to the development of strategy on an international scale, constantly seeking out new business opportunities and potential partnerships.

THE QUALIFICATIONS

- High calibre intellect, with MBA, ACA or legal qualification, and a minimum of five years' experience in corporate development acting as a principal. Property expertise and European languages are a significant advantage.
- Pan-European in approach with proven cross-border credentials and transaction management skills. Commercial acumen combined with the highest levels of technical capability.
- Maturity and gravitas to interact successfully at all levels. A practical approach to solving business problems combined with an eye for detail. Entrepreneurial and collegiate by nature.

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Chief Financial Officer

International Law Firm

c.£150,000
London

The firm is an international law practice comprising 350 fee-earners. It is a uniquely trans-national business with 8 offices in New York, London, Paris and Central and Eastern Europe.

This new position carries firm-wide, strategic responsibility for the integration of financial management policies, practices and systems. Reporting to the international management committee, you will lead established accounts teams in each of the firm's offices and play a key role in its ambitious growth strategy.

You will be a qualified Accountant or MBA with a powerful intellect, strong personal presence and experience as No. 1 or No. 2 in the financial management of a multi-site international service business. A previous senior role in a legal or other professional services firm is highly desirable. French language skills would be helpful but not a pre-requisite.

Please send your CV and full remuneration details, to **Criterion Search,** 50 Regent Street, London W1R 6LP, quoting ref: 3049. **Tel:** +44 171 470 7108. **Fax:** +44 171 470 7171. **email:** mail@criterionsearch.co.uk

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CHIEF FINANCIAL OFFICER

Tbilisi Georgia

Expat Package

AES Silk Road Ltd

The AES Corporation, founded in 1981, is one of the world's largest global power companies. AES is dedicated to supplying safe, clean, reliable electricity to meet global energy needs and owns, or has an interest in, ninety plants totalling over 27,000 megawatts in 13 countries. In addition to having assets in excess of $10 billion, AES has numerous projects in construction or late stages of development.

AES set up the Silk Road Group in 1997; this group is now responsible for developing new and existing business in Central Asia, the Middle East and the Republics of the Former Soviet Union. Following this group's recent acquisition of a 75% stake in Telasi, the electricity distribution company serving Tbilisi, Georgia, AES is looking to recruit a Chief Financial Officer to be based in Tbilisi.

Reporting to the Telasi Chief Executive Officer, this role requires:

- a Western-standard qualified accountant with excellent technical skills gained in a similar business;
- an ambitious, commercially-minded self-starter with the capacity to quickly grasp the local tax and accounting laws;
- experience of working in the CIS.
- Russian or Georgian language skills, together with fluent English, are preferred;
- a proven ability in change management, together with exceptional leadership and interpersonal skills;
- the knowledge to design and set up new systems and to train the local staff in their operation;
- exposure to western business and an understanding of UK & US accounting standards.

In return, you can expect a values and people-oriented culture where fun, fairness, social responsibility and integrity play a key role, providing opportunities for increased responsibilities in an environment which values creativity, energy and enthusiasm.

In the first instance, please contact, in complete confidence, Gillian Bowsher on +44 171 344 5137. Alternatively, please send your full CV, including the details of your current remuneration, to her at HW International, Cardinal House, 39-40 Albemarle Street, London W1X 4ND, UK. Fax: +44 171 393 0213. E-mail: gillian.bowsher@hwgroup.com Internet: www.hwgroup.com

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GROUP COMMERCIAL MANAGER

London

OCTOPUS Publishing Group

Octopus Publishing Group, formed by a recent MBO is one of the strongest illustrated publishing groups in the world. The group has a turnover of £45m and publishes under a range of imprints including Brimax, Bounty, Conran Octopus, Hamlyn, Mitchell Beazley, Millers & Philip's. The product range is extensive and includes Cook Books, World Atlases, world leading wine and antique lists and definitive design titles by Terence Conran.

The MBO was predicated on an *exciting and innovative growth* strategy. This will be realised through enhanced creativity in title development and new channels to market.

Crucial to the fulfilment of the business plan is the recruitment of this key finance role.

The Role

Reporting to the Operations Director, with a functional reporting line to the Finance Director, the primary focus of the role is to ensure that the business plan is successfully implemented. More specifically the job holder will:

- work closely with the management teams of the Publishing Divisions;
- ensure the divisional plans are aligned and contributing to the group plan;
- have functional responsibility for the divisional commercial accountants.

The Person

This is a non-traditional finance role and the successful applicant will:

- be innovative and very commercial;
- be happy working in a non-routine environment;
- show experience of contributing to the commercial development of a business;
- show experience of managing in a matrix structure.

An attractive salary and benefits package will be available to applicants who combine a hands-on proactive approach with the ability to see the bigger picture.

In the first instance, please contact, in complete confidence, Fiona Hartfield on 0171 344 5140, (weekends 0468 102374). Alternatively, please send your full CV, including the details of your current remuneration, to her at HW Harrison Willis, Cardinal House, 39-40 Albemarle Street, London W1X 4ND. Fax: 0171 344 0362. E-mail: fiona.hatfield@hwgroup.com Internet: www.hwgroup.com

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MEDICI

Financial Manager/Director Designate

North London **£50,000 + Car & Benefits**

The Medici Society Limited have been a Fine Art Publishers for over 90 years. Today we manufacture a product range which includes Greetings Cards, Stationery, Books and Prints and we also have two Retail Galleries in London. The Company is in expansion mode and is looking for a suitably qualified Financial Manager *(Director Designate) to assist in our future development. Reporting to the recently appointed* Chief Executive, you will be responsible for all financial aspects of its operation. The location will be Hendon, London, NW9 where we are relocating, in February 1999.

The Role

- Develop and implement all essential financial systems and controls and reporting procedures.
- Provide management information, analysis and advice to support business decisions and growth.
- Conduct financial appraisals to ensure that business investments generate the required returns.
- Liase closely with the Company's professional advisors, ranging from audit through to acquisitions.

The Candidate

- Commercially focused with experience gained within manufacturing and distribution industry.
- Strong IT skills.
- A team player capable of driving in a pro-active and resource-efficient manner.
- Commercially astute, hands-on and flexible.
- Ability to implement change within a period of expansion.
- Excellent people management skills.

Please apply in writing with full CV to:
Bryan Robertson, Chief Executive, *The Medici Society Ltd*,
34-42 Pentonville Road, London, N1 9HG

What would you prescribe for our future success?

£45-50,000 + Benefits **Basingstoke**

KENDALL Healthcare Products - Europe
A tyco INTERNATIONAL LTD. COMPANY

Kendall, part of the Tyco Healthcare Group, is a fast growing division of Tyco International Ltd, a truly global player with a $22 billion turnover. A major acquisition programme now makes us Europe's second largest supplier of medical disposable products to the healthcare sector, with over 6,000 employees in Europe and sales in more than 65 countries worldwide. With further expansion planned in new and existing markets, we are now looking for two experienced professionals to strengthen our high-calibre finance teams.

European Cost Accountant

With responsibility for 21 manufacturing sites, this is a role of real influence and genuine variety. Working closely with the European VP of Manufacturing and plant managers, you will develop and implement reporting systems, improve costing methods and contribute to all major strategic manufacturing decisions. The scale and scope of the challenge means regular European travel will be a feature of this role.

Fully qualified (preferably CIMA), with 10 years + pqe, you have proven experience in an international manufacturing *environment and are ready to add real value to a rapidly* expanding organisation.

European Area Controller

A high profile role working closely with the VP Sales and Marketing European Northern Area overseeing consolidations and integration plans throughout your region, as well as assisting in Merger and Acquisition reviews. Liasing closely with European Controllers in the review of monthly results and the budget process, you will also provide support in the installation of pan-European computer systems of existing subsidiaries and further acquisitions.

Fully qualified with 10 years + pqe, you can demonstrate an impressive track record in an international environment.

In both cases a competitive salary will be complemented by a full benefits package and outstanding career development opportunities to reflect the importance attached to these roles.
Please write, with full CV and current salary details, to our advising consultant, Kevin Popat, at Robert Half International, 1st Floor, Fairfield House, Victoria Street, Basingstoke, Hants RG21 3BT.
Tel: 01256 349800. Fax: 01256 472706. Email: basingstoke@roberthalf.co.uk

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Head of Finance

London **£50,000 + benefits**

Prestigious law firm with an international client base. The Head of Finance will be a key member of the management team supporting the Partnership.

The Role:

- Lead, motivate and develop the finance team to ensure a first class service to the business.
- Work closely with the Management Board to develop strategies to further enhance business performance and maximise profitability.
- Ensure the effectiveness of management *information.*

The Candidate:

- Graduate, qualified accountant, ideally ACA, with a minimum of 5 years PQE. Experience in the professional services sector would be desirable.
- A proven track record in financial management with an emphasis on *management accounting.*
- Sound commercial acumen, strong technical ability and excellent communication skills are essential.

Please write in confidence, with full career and current salary details, quoting reference VR/2929

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ODGERS EXECUTIVE SELECTION A DIVISION OF ODGERS INTERNATIONAL

Finance Director

Somerset

Manufacturing

Substantial Package
Excellent Career Prospects

Our client (t/o c £50m) manufactures consumer durables sold through retail outlets on an international basis. This business has a reputation for quality and the combination of innovative product development and advanced manufacturing systems ensures that customers are provided with cost effective solutions.

The Role

- Provide strong commercial input on a range of strategic and operational issues and play a significant part in driving profitable growth
- Assume full responsibility for financial management and control through all operating units
- Develop systems and procedures to facilitate effective financial control and generate management information that adds value to the decision making process

The Candidate

- A qualified Chartered Accountant with a minimum of five years PQE gained within either a manufacturing environment or the profession
- Proven commercial acumen founded on sound technical skills and ambitious for personal and professional development
- A team player who is "hands on" in approach with a "can do" mentality and has strong *interpersonal* and communication skills
- *Proven ability to direct and manage change along with the presence to command a high profile across* all areas of the business

This commercial role gives the potential for future general management responsibilities within a dynamic business with envisaged equity participation.

To apply, please write with a full CV, details of current salary and quoting ref no. 451/FT to, BHM Nevard Roland, 8-10 Whiteladies Road, Clifton, Bristol BS8 1PD. Alternatively send by fax on 0117 904 9367 or e-mail: wizard@nevard-roland.co.uk

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finance PROFESSIONALS

Our client is one of the world's leading Communication Services groups and is a member of the FTSE 100. The group's global Information and Consulting division, which has an annualised turnover of $800m, is dedicated to being the pre-eminent world-wide market research and information provider.

Operating through more than 50 companies in Europe, Asia, and the Americas, this young and ambitious division is growing rapidly, both organically and through acquisition. This has resulted in a newly created position for an ambitious qualified accountant. Reporting directly to the Group Chief Financial Officer, the successful *candidate will be expected to work with Managing and Finance Directors in each of the* operating companies. The role will require you to offer a consultative service, raising the operating businesses commercial and financial systems to the highest standard, assisting newly acquired divisions efficiently integrate into the group, and ensuring the successful transfer of best practices.

The company is fast moving and diverse with continued rapid growth its objective, and we are looking for an individual with the same ambitions. This position is intended to provide the successful candidate with the sector knowledge and commercial exposure that will enable them to look forward to a move into senior line management.

To be a success in this role, you should be a qualified accountant, with between three *and six years' post qualification experience.* This should have been gained in either a Big 5 Practice firm, or alternatively in a finance or audit role within an international blue chip organisation. You should combine a hands on approach, with a strong technical skill set, and the ability to think laterally and problem solve. Excellent communication skills are essential.

If you believe you have the skill set, drive, initiative and maturity to rise to the challenge of this position, please call Noel Marshall on 0171 845 4200 (weekdays) or 0181 892 6517 (weekends & evenings). Alternatively send your CV and salary details in confidence to:

Finance Professionals, 26-28 Bedford Row, London WC1R 4HE.
Fax: 0171 845 4249. Email: noelmarshall@financeprofessionals.com

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Group Finance Director
FTSE 500 retailer
To £120,000 + Bonus + Benefits • Birmingham

Taking a FTSE 500 retailer through enormous expansion is a task that many would relish but few could manage. Not so for the Board of our client. A combination of organic growth and acquisitions have positioned them at the front of their niche in the retail sector and prospects for the coming years are phenomenal.

To strengthen the Board, the decision has been taken to recruit a Group Finance Director who will lead and direct the finance function and contribute to the long-term strategic and business planning process to facilitate the expansion of the Group.

Your responsibilities will include:
- Directing day-to-day financial management of the Group imposing efficient management of cash and other sources of capital.
- Engendering a culture of accountability for business performance across the company.
- Raising the quality and use of management information to the business.
- Managing, motivating and developing the finance team.

This is an extremely high profile, business critical role and you will need to demonstrate senior level finance experience, coupled with broad commercial responsibility, ideally gained within the retail sector. You must also be:
- An inspirational leader, with the confidence and stature to build credibility at board level.
- Entrepreneurial, energetic and results driven.
- Confident but not arrogant. Able to thrive in a down-to-earth culture.
- A strategic thinker with quick tactical turnaround.
- Resilient. Tough when necessary and thrive on success.
- A natural coach and mentor who leads by example.

To apply, email finance@harveynash.com or http://taps.com/Harvey Nash, or write to Harvey Nash plc, 13 Bruton Street, London W1X 7AH. (Tel 0171 333 0033.) Please quote reference FN4183FT.

London Birmingham Brussels Munich Paris Stuttgart Amsterdam Zurich

Harvey Nash
International Search and Selection

Financial Systems Analyst
c. £40,000 + Car + Benefits • London, City

Our client is a world leading chemicals group in its chosen market sectors – this follows a recent refocusing towards its core business interests. The group is currently in the process of upgrading its core financial systems to ensure that they complement this reorganisation. A new management team has been set up to oversee the effective introduction of these changes, and more specifically the group is seeking to recruit a Financial Systems Analyst to carry out the following tasks:

- Ensure the successful implementation of Hyperion across 20 sites worldwide.
- Determine key system support requirements in the area of planning and forecasting.
- Drive the continued development of Hyperion Enterprise to ensure maximum efficiency gains groupwide.

This is a high profile role in a fast moving environment, and we are therefore looking for an ACA/ACCA qualified individual with proven experience either in successfully installing Hyperion Release 4 across a multi-site environment, or as a Hyperion power user. Your bias will be finance rather than systems, and on a personal level you will need to be self-motivated, an excellent team player and possess the ability to work effectively with senior management across the group.

To apply, email search+selection@harveynash.com or http://taps.com/Harvey Nash, or write to Harvey Nash plc, 13 Bruton Street, London W1X 7AH. (Tel 0171 333 0033.) Please quote reference IT4188FT.

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Harvey Nash
International Search and Selection

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- Are you ready to be a key player in the growth of an international business?
- Do you want to manage a team?

If the answer is "yes" to all of these questions and you naturally thrive in the increasingly demanding and competitive industry, please read on to discover how FSS Financial can offer you the opportunity to join some of the best consultants in the marketplace.

FSS Financial, a specialist financial recruitment, search and selection consultancy, has experienced tremendous entrepreneurial growth during recent years and is looking for outstanding individuals to add value and really drive the business forward. Already situated in London, Windsor, Milton Keynes, Sydney, Johannesburg and Durban, we are looking to expand the business even further and require exceptional, highly motivated individuals to assist in this geographical growth.

FSS Financial is part of FSS Group, which has been recently acquired by a $1.4 billion turnover US strategic workforce management company quoted on the New York Stock Exchange. We can therefore genuinely offer individuals the successful combination of a highly professional yet friendly working environment and the force of a larger organisation. Excellent opportunities exist for individuals in current management positions or for those who are suitably qualified to take advantage of an immediate management opportunity. Recruitment consultants from all sectors will be considered.

For a confidential discussion, please contact Nicola Lewis, Senior Manager, (quoting ref: FT0199) on 01753 621866, evenings on 0498 665222. Alternatively please send your CV to her at FSS Financial, Paragon House, 102 High Street, Eton, Berkshire SL4 6AE. Fax: 01753 621877, E-mail: nrl@fss.co.uk

www.fssfinancial.co.uk

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Director of Finance & Information
Royal Brompton and Harefield NHS Trust, London
£65,000 - £75,000 plus standard NHS benefits package

This is an outstanding opportunity to work for a high profile NHS Trust, which has an excellent international reputation for its services, research and teaching. Due to a recent internal promotion, a high calibre financial professional is now required to consolidate and lead the corporate finance and IT functions of this £100M turnover organisation with over 2,000 staff.

As a Board member, you will report to the Chief Executive and the Board. Your role will be to ensure the provision of a professional, high quality finance, accounting and IT service. Emphasis will be on consolidating existing and recently introduced systems so that the Trust can have the benefit of a sound fiscal policy for the management of its resources.

A professionally qualified accountant with a strong academic record, your well-rounded finance, accounting and IT skills will ideally have been gained at Board level within the NHS. Previous non-NHS experience could be an advantage. Critical to the success of this role is a positive, approachable personality, together with considerable powers of persuasion and the ability to deliver.

Please write by 31 January 1999, in confidence, with full career and salary details, to Laura Heybrook, Heidrick and Struggles, 100 Piccadilly, London,W1V 9FN. Tel: +44 171 491 3124. Fax: +44 171 491 5824. Email:lhe@h-s.com

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SPECIALIST DISTRIBUTION

c.£70,000 package

North West

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ROLE

Make a key contribution to strategic, commercial and operational decision making throughout the business as part of a strong management team committed to significant growth in a fast moving, dynamic market. Lead, motivate and develop the finance team to achieve the highest standards of reporting and control. Proactively involve finance in all areas of the business.

QUALIFICATIONS

Qualified accountant, able to demonstrate a progressive track record in a fast moving, multi-site service business, ideally in retailing or distribution. Well developed systems implementation ability. Strong leadership and people development skills. Stature and maturity to influence at Board level. First class communicator.

Please send a full Curriculum Vitae to Robinson Keane, Denzell House, Dunham Road, Bowdon, Cheshire WA14 4QE quoting Reference RK 2154A. Telephone 0161 929 9105.

Robinson Keane
SEARCH & SELECTION

Finance Director
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London

Riley is a full service advertising, marketing and communications group part of LOPEX PLC and turning over in excess of £60 million. Operating from nine different offices in the major centres across the UK it provides advertising and marketing solutions for over 1000 clients.

Reporting to the Group Chief Executive you will be responsible for setting the financial standards across all offices in the group.

This will entail close co-operation with both local Managing Directors and their individual Financial Controllers as well as the central PLC accounts function.

Working with the individual Financial Controllers, you will be supervising the financial management of their local operations, reviewing their accounts, control and reporting procedures. Attending local and Riley Board meetings, you will be expected to play an active part in our business development programme and strategic planning. You will also be expected to make an operational contribution to the financial element of new business proposals. A particular emphasis will be placed on the management of company debt.

To provide the mixture of financial advice and control, commercial acumen and strategic thought required, you will need to be a professionally qualified accountant with excellent communication skills. A strong personality and experience of management within a group structure and reporting disciplines would be a distinct advantage in managing this complex multi-site business.

To apply, please send your CV, quoting reference 558/FT, to Andrew Sinclair-Smith, Riley Consultancy, 4 Red Lion Court, Fleet Street, London EC4A 3EN. Tel: 0171 353 3223. Fax: 0171 583 2527. Closing date: 29/1/99.

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Commercial Accountant

West London

Computer & Communications Services

c. £38K + Car + Bonus

A market leader and rapidly expanding niche player, our client, a subsidiary of a UK listed Plc, is the UK operation of a European wide equipment services group. With a more extensive and diverse stock than any competitor and quality services that are the envy of the sector, this company works in partnership with many of the world's leading equipment manufacturers.

The Role
Working closely with the senior management team this high profile and influential commercial role reports directly to the Finance Director. You will be specifically responsible for developing management reporting and assisting business managers in evaluating business proposals and decision appraisals. In addition you will undertake process improvement and other ad-hoc projects.

The Candidate
Suitable candidates will be high calibre graduate Chartered Accountants with a minimum of three years PQE gained within either a blue-chip commercial environment or the profession. Technical competence and commercial acumen are taken as read, PC literacy (Excel) is essential and exposure to access databases would be distinctly advantageous. Effective communication at all levels is a pre-requisite and you will be an innovative and flexible team player with strong analytical skills with the ability to develop and implement new concepts.

To apply, please write with a full CV, details of current salary and quoting ref. 452/FT to Steven Vass ACA, BHM Nevard Roland, 2nd Floor, Tottenham Court Road, London WIP 0AN. Tel: 0171 636 2288 or e-mail: wizard@nevard-roland.co.uk

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HEAD OF MANAGEMENT INFORMATION
WEST MIDLANDS C. £45,000 + BENEFITS

A UK leader in a competitive service sector, this £150m multi-outlet business has seen exceptional growth in recent years. Part of a major US Corporation, it now intends to ensure that it has the standards of generation and utilisation of management information applicable to a business of this magnitude.

Your responsibility will be for a team of 25 people based at Head Office. Accountability will be for taking management accounting and budgeting to a whole new level of excellence in terms of accuracy, timeliness and user friendliness. The aim must be to provide and interpret the information that allows management at all levels to manage the business better.

A qualified accountant (probably CIMA), you will have experience of running a management accounts team in a multi-outlet service sector business. All round technical management accounting and budgeting skills must be strong and backed by a high level of systems literacy including Microsoft and Oracle packages. The ability to achieve demanding deadlines plus strong report writing and team leadership abilities are essential requirements.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence, quoting reference D1529 on both envelope and letter, to:
**David Owens,
PricewaterhouseCoopers,
Executive Search & Selection,
Temple Court,
35 Bull Street,
Birmingham B4 6JT.**

IT Appointments